Report of

The GroundTruth Project Inc.

December 31, 2016

Raphael and Raphael LLP
Certified Public Accountants and Consultants
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Independent Auditor’s Report

To the Board of Directors
The GroundTruth Project Inc.
Boston, Massachusetts

We have audited the accompanying financial statements of The GroundTruth Project Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities and changes in net assets 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.

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 The GroundTruth Project Inc. as of December 31, 2016, 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.

Respectfully submitted,

[Signature]

Raphael and Raphael LLP
Certified Public Accountants

Boston, Massachusetts
November 7, 2017
THE GROUNDTRUTH PROJECT INC.

Statement of Financial Position
As of December 31, 2016

ASSETS

CURRENT ASSETS:
- Cash and Cash Equivalents $ 581,851
- Contributions Receivable Within One Year 840,472
- Other Current Assets 34,443
  TOTAL CURRENT ASSETS 1,456,766

OTHER ASSETS:
- Net Property and Equipment 93,211
- Contributions Receivable in One to Five Years 482,500
  TOTAL OTHER ASSETS 575,711

TOTAL ASSETS $ 2,032,477

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:
- Accounts Payable $ 41,411
- Other Current Liabilities 48,337
  TOTAL CURRENT LIABILITIES 89,748

NET ASSETS:
- Unrestricted Net Assets 40,482
- Temporarily Restricted Net Assets 1,902,247
  TOTAL NET ASSETS 1,942,729

TOTAL LIABILITIES AND NET ASSETS $ 2,032,477

The accompanying notes are an integral part of the financial statements.
## THE GROUNDTRUTH PROJECT INC.

### Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2016

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>REVENUES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants and Donations</td>
<td>$ 603,767</td>
<td>$ 725,183</td>
<td>$ 1,328,950</td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>1,247,183</td>
<td>(1,247,183)</td>
<td>-</td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>1,850,950</td>
<td>(522,000)</td>
<td>1,328,950</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUNCTIONAL EXPENSES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Program Expenses</td>
<td>1,558,324</td>
<td>-</td>
<td>1,558,324</td>
</tr>
<tr>
<td>Management and General</td>
<td>320,209</td>
<td>-</td>
<td>320,209</td>
</tr>
<tr>
<td>Fundraising</td>
<td>783</td>
<td>-</td>
<td>783</td>
</tr>
<tr>
<td><strong>TOTAL FUNCTIONAL EXPENSES</strong></td>
<td>1,879,316</td>
<td>-</td>
<td>1,879,316</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DECREASE IN NET ASSETS</strong></td>
<td>(28,366)</td>
<td>(522,000)</td>
<td>(550,366)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS AT BEGINNING OF YEAR</strong></td>
<td>68,848</td>
<td>2,424,247</td>
<td>2,493,095</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NET ASSETS AT END OF YEAR</strong></td>
<td>$ 40,482</td>
<td>$ 1,902,247</td>
<td>$ 1,942,729</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the financial statements.
### THE GROUNDTRUTH PROJECT INC.

**Statement of Cash Flows**  
**For the Year Ended December 31, 2016**

Cash Flows from Operating Activities:  
Decrease in Net Assets $ (550,366)

Adjustments to Reconcile Decrease in Net Assets to Net Cash Provided by Operating Activities:  
Depreciation 18,958

(Increase) Decrease in:  
Contributions Receivable 560,028  
Other Current Assets (25,945)

Increase (Decrease) in:  
Accounts Payable and Accrued Expenses 1,818  
Other Current Liabilities 34,581

Total Adjustments 589,440  
Net Cash Provided by Operating Activities 39,074

Cash Flows from Operating Activities:  
Capital Expenditures (96,169)  
Net Cash Used in Operating Activities (96,169)

Net Decrease in Cash and Cash Equivalents (57,095)

Cash and Cash Equivalents at Beginning of Year 638,946

Cash and Cash Equivalents at End of Year $ 581,851

The accompanying notes are an integral part of the financial statements.
Note 1 - ORGANIZATION AND PURPOSE:

The GroundTruth Project Inc. (the Organization) was incorporated on August 8, 2012 as a not-for-profit corporation under Chapter 180 of the General Law of the Commonwealth of Massachusetts. The Organization seeks to build the capacity for freedom of expression in developing countries around the world by helping to train a new generation of correspondents who can work together across different media platforms and cultural backgrounds. The Organization is primarily funded by grants from third parties, including other not-for-profit organizations.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

**Basis of Presentation** - The Organization reports information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets represent fully available funds which can be used at the discretion of management and the Board of Directors for any of the Organization’s programs or supporting services. Temporarily restricted net assets are comprised of funds which are restricted by donors for specific purposes or periods. Permanently restricted net assets include contributions that donors have specified must be maintained in perpetuity. There were no permanently restricted net assets as of December 31, 2016.

**Basis of Accounting** - The Organization prepares its financial statements on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Cash and Cash Equivalents** - For the purposes of the statement of cash flows, the Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Property and Equipment** - Property and equipment are stated at cost, and are depreciated using the straight-line method over the estimated useful lives of the assets. All property and equipment expenditures over $5,000 are capitalized. As of December 31, 2016, net property and equipment consisted of the following:

<table>
<thead>
<tr>
<th>Estimated Useful Lives</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Website</td>
<td>3 years</td>
</tr>
<tr>
<td>Equipment</td>
<td>3 years</td>
</tr>
<tr>
<td>Total Property and Equipment</td>
<td></td>
</tr>
<tr>
<td>Less: Accumulated Depreciation</td>
<td></td>
</tr>
<tr>
<td>Net Property and Equipment</td>
<td></td>
</tr>
</tbody>
</table>
Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

**Contributions Receivable** - Contributions receivable are stated at the amount management expects to collect from outstanding balances. The Organization establishes an allowance for uncollectible contributions receivable based upon its assessment of the status of individual receivables. As of December 31, 2016, the Organization considers all contributions receivable to be fully collectible. Accordingly, no allowance has been established. All of the Organization’s contributions receivable are unconditional.

**Revenue Recognition** - Grants and contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. All grants and contributions are considered to be available for unrestricted use unless specifically restricted by the donor or grantor.

All donor-restricted grants and contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Restricted grants and contributions whose restrictions are met in same reporting period are recorded as unrestricted grants and contributions.

**Use of Restricted Support** - When both restricted and unrestricted sources of support are used in a particular program, restricted support is considered to be spent first.

**Income Taxes** - No provision is made for income taxes as the Organization is exempt from Federal and state income taxes under Internal Revenue Code Section 501(c)(3). The Organization’s Forms 990 generally remain subject to examination for three years after filing.

**Advertising** - Advertising costs are expensed as incurred. Advertising costs for 2016 were $7,629.

**Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Subsequent Events** - Subsequent events are events or transactions that occur after the date of the statement of financial position but that could affect the amounts or disclosures in the financial statements. Management has evaluated subsequent events through the date that the financial statements are available to be issued, which is the date noted at the bottom of the accountant’s report.
Note 3 - COMMITMENTS:

The Organization leases office space in Brighton, MA. This lease will continue until either the Organization or the lessor gives 180 days’ notice of cancellation. The use of the space was contributed to the Organization and, accordingly, the Organization has recognized both donation revenue and rent expense for the fair value of the contribution.

In October 2016, the Organization started leasing office space in Woods Hole, MA at a rate of $400 per month. The lease expired on August 31, 2017. The Organization entered into a second operating lease for the same space at the same rate which will expire on August 31, 2018.

Rent expense for the year ending December 31, 2016 was $32,220.

The Organization’s future minimum base rents are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$4,800</td>
</tr>
<tr>
<td>2018</td>
<td>3,200</td>
</tr>
<tr>
<td>Total</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Note 4 - CONCENTRATIONS:

During 2016, approximately 54% of the Organization’s grants and contributions were received from two donors. As of December 31, 2016, approximately 94% of the contributions receivable were related to three donors.

The Organization’s bank account balances may at times exceed federally insured amounts.

Note 5 - RELATED PARTY TRANSACTIONS:

During 2016, the Organization paid a relative of a Director $8,453 for photography and editing work. Relatives of a Director also made temporarily restricted contributions of $10,000 during the year.

In 2015, a Director made the Organization a promise to give $1,000,000 over three years; $335,000 was received from this promise to give during 2016 with $665,000 still outstanding.

In 2016, a foundation for which a Director serves as the CEO made the Organization a conditional promise to give $300,000 over three years; $50,000 was received from this promise to give during 2016 with $250,000 still outstanding. As there is only a remote possibility the conditions for this grant will not be met, it has been recognized as if it were an unconditional promise to give.