

Report of

The GroundTruth Project Inc.

December 31, 2018



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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, 2018, and the related statements of activities, changes 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.

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, 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.

Respectfully submitted,

A handwritten signature in blue ink that reads "Raphael and Raphael LLP". The signature is written in a cursive, flowing style.

Raphael and Raphael LLP
Certified Public Accountants

Boston, Massachusetts
July 2, 2019

THE GROUNDTRUTH PROJECT INC.

Statement of Financial Position

As of December 31, 2018

ASSETS

CURRENT ASSETS:

Cash and Cash Equivalents	\$ 3,752,240
Contributions Receivable Within One Year	988,689
Other Current Assets	44,305
TOTAL CURRENT ASSETS	<u>4,785,234</u>

OTHER ASSETS:

Net Property and Equipment	51,578
Contributions Receivable in One to Five Years	1,270,000
TOTAL OTHER ASSETS	<u>1,321,578</u>

TOTAL ASSETS	<u><u>\$ 6,106,812</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:

Accounts Payable	\$ 77,181
Fund Held for Specified Beneficiaries	16,094
Other Current Liabilities	55,182
TOTAL CURRENT LIABILITIES	<u>148,457</u>

NET ASSETS:

Without Donor Restrictions	360,160
With Donor Restrictions	5,598,195
TOTAL NET ASSETS	<u>5,958,355</u>

TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,106,812</u></u>
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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, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUES:			
Contributions	\$ 1,235,719	\$ 5,183,028	\$ 6,418,747
Other Revenue	20,000	-	20,000
In-Kind Revenue	90,040	-	90,040
Net Assets Released from Restrictions	1,245,609	(1,245,609)	-
TOTAL REVENUES	<u>2,591,368</u>	<u>3,937,419</u>	<u>6,528,787</u>
FUNCTIONAL EXPENSES:			
Program Expenses	1,522,427	-	1,522,427
Management and General	483,578	-	483,578
Fundraising	243,685	-	243,685
TOTAL FUNCTIONAL EXPENSES	<u>2,249,690</u>	<u>-</u>	<u>2,249,690</u>
OTHER EXPENSES:			
In-Kind Expense	<u>100,413</u>	<u>-</u>	<u>100,413</u>
INCREASE IN NET ASSETS	241,265	3,937,419	4,178,684
NET ASSETS AT BEGINNING OF YEAR	<u>118,895</u>	<u>1,660,776</u>	<u>1,779,671</u>
NET ASSETS AT END OF YEAR	<u>\$ 360,160</u>	<u>\$ 5,598,195</u>	<u>\$ 5,958,355</u>

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

THE GROUNDTRUTH PROJECT INC.

Statement of Functional Expenses
For the Year Ended December 31, 2018

	<u>Program</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>Total</u>
EXPENSES:				
Salaries and Benefits	\$ 751,006	\$ 164,029	\$ 227,680	\$ 1,142,715
Contractors & Consultants	385,623	72,525	5,560	463,708
Fellows and Corps Members	244,489	-	-	244,489
Travel, Meals, & Entertainment	113,075	22,707	1,930	137,712
General Operating Expenses	28,234	70,932	8,515	107,681
Professional Services	-	76,275	-	76,275
Depreciation	-	40,553	-	40,553
Rent Expense	-	23,734	-	23,734
Insurance Expense	-	12,823	-	12,823
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 1,522,427</u>	<u>\$ 483,578</u>	<u>\$ 243,685</u>	<u>\$ 2,249,690</u>

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, 2018

Cash Flows from Operating Activities:	
Increase in Net Assets	<u>\$ 4,178,684</u>
Adjustments to Reconcile Increase in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	40,553
(Increase) Decrease in:	
Contributions Receivable	(1,330,816)
Other Current Assets	(36,363)
Increase (Decrease) in:	
Accounts Payable and Accrued Expenses	61,740
Fund Held for Specified Beneficiaries	16,094
Other Current Liabilities	<u>28,535</u>
Total Adjustments	<u>(1,220,257)</u>
Net Cash Provided by Operating Activities	<u>2,958,427</u>
Cash Flows from Operating Activities:	
Capital Expenditures	<u>(31,497)</u>
Net Cash Used in Operating Activities	<u>(31,497)</u>
Net Increase in Cash and Cash Equivalents	2,926,930
Cash and Cash Equivalents at Beginning of Year	<u>825,310</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 3,752,240</u></u>

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

THE GROUNDTRUTH PROJECT INC.

Notes to Financial Statements
December 31, 2018

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 report on global and domestic issues in the most objective and unbiased fashion, in keeping with its namesake. The Organization completes this objective by training a new generation of journalists through global fellowships and placing corps members in local newsrooms to gain on the ground experience. 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 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").

For the year ended December 31, 2018, the Organization adopted FASB ASU 2016-14, Presentation of Financial Statements of Not-for-Profit Entities. This update to accounting standards requires various changes in the presentation of the financial statement as well as required disclosures, which have been applied on a retroactive basis. As a result, beginning net assets totaling \$1,660,776, which were previously recorded under temporarily restricted net assets, have been reclassified to net assets with donor restrictions.

Basis of Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets; assets without donor restrictions and assets with donor restrictions.

Net assets without donor restrictions 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, general operations, or other needs. Net assets with donor restrictions represent funds which are restricted by donors for specific purposes or periods.

Donor restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted contributions.

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.

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, 2018, 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.

THE GROUNDTRUTH PROJECT INC.

Notes to Financial Statements

December 31, 2018

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

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 \$1,000 are capitalized. As of December 31, 2018, net property and equipment consisted of the following:

	<u>Estimated Useful Lives</u>	<u>Balance</u>
Website	3 years	\$ 124,199
Equipment	3 years	<u>24,989</u>
Total Property and Equipment		149,188
Less: Accumulated Depreciation		<u>97,609</u>
Net Property and Equipment		<u>\$ 51,578</u>

Revenue Recognition - Grants and contributions received are recorded as increases assets without donor restrictions or assets with donor restrictions, depending on the existence 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 net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions 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 assets without donor restrictions.

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.

Functional Expenses - Expenses directly attributable to the Organization's programs are recorded as program expenses. Salaries and benefits are allocated to program, management and general, and fundraising expense based on actual hours spent as reported on employees' timesheets. No indirect or support costs are allocated to program expense.

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 2018 were \$26,358.

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.

THE GROUNDTRUTH PROJECT INC.

Notes to Financial Statements

December 31, 2018

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued:

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 September 2017, the Organization entered into a lease for office space in Woods Hole, MA at a rate of \$400 per month. This lease expired August 31, 2018.

In May 2018, the Organization started leasing workspace in Washington, DC at a rate of \$800 per month. This lease expired December 31, 2018 but is automatically extended for successive one-year periods unless the Organization or the lessor gives 90 days prior notice. The Organization also leased a workstation under an addendum to this lease for \$500 a month from July 1, 2018 to September 7, 2018.

In September 2018, the Organization started leasing a new office in Woods Hole, MA at a rate of \$900 per month. This lease will expire on August 31, 2019.

On September 2018, the Organization started leasing office space in Brooklyn, NY at a rate of \$2,000 per month. This is a month-to-month lease requiring a month's notice to terminate tenancy.

Rent expense for the year ending December 31, 2018 was \$54,754.

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

2019	\$	16,800
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Note 4 - CONCENTRATIONS:

During 2018, approximately 61% of the Organization's grants, contributions, and donations were received from five donors. As of December 31, 2018, approximately 78% of the contributions receivable were related to four donors.

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

THE GROUNDTRUTH PROJECT INC.

Notes to Financial Statements
December 31, 2018

Note 5 - EMPLOYEE BENEFIT PLAN:

The Organization has a 403(b) plan for employees that meet certain service requirements. The Organization may make discretionary matching contributions to the plan; no such contributions were made for the year ended December 31, 2018.

Note 6 - RELATED PARTY TRANSACTIONS:

In 2015, a Director made the Organization a promise to give \$1,000,000 over three years; during 2018, the final payment of \$330,000 was received.

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; \$100,000 was received from this promise to give during 2018 with \$50,000 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.

In 2018, a foundation for which a Director serves as the CEO made the Organization an unconditional promise to give \$1,000,000 over five years; the full amount is still outstanding.

In 2018, two Directors separately contributed or pledged to contribute \$25,000 and \$250,000 to the Organization; \$200,000 of this amount is outstanding.

During 2018, the Organization paid a relative of a Director \$9,620 for photography and editing work.