

THE GROUNDTRUTH PROJECT, INC.
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2019



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**THE GROUNDTRUTH PROJECT, INC.
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YEAR ENDED DECEMBER 31, 2019**

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The GroundTruth Project, Inc. (the Organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, 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 auditors' 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.

Board of Directors
The GroundTruth Project, Inc.

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 and for the year ended December 31, 2019, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Boston, Massachusetts
April 7, 2020

**THE GROUNDTRUTH PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 4,427,921
Contributions Receivable Within One Year	2,565,629
Host Newsroom Contracts	172,639
Other Current Assets	49,710
Total Current Assets	<u>7,215,899</u>

OTHER ASSETS

Property and Equipment, Net	53,954
Contributions Receivable	<u>3,900,500</u>

Total Assets	<u><u>\$ 11,170,353</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 219,014
Funds Designated for Specific Use	178,737
Other Current Liabilities	255,361
Total Liabilities	<u>653,112</u>

NET ASSETS

Without Donor Restrictions	234,596
With Donor Restrictions	<u>10,282,645</u>
Total Net Assets	<u>10,517,241</u>

Total Liabilities and Net Assets	<u><u>\$ 11,170,353</u></u>
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See accompanying Notes to Financial Statements.

**THE GROUNDTRUTH PROJECT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Contributions	\$ 179,491	\$ 8,684,723	\$ 8,864,214
Other Revenue	30,513	-	30,513
In-Kind Revenue	140,044	-	140,044
Net Assets Released from Restrictions	4,000,273	(4,000,273)	-
Total Revenue, Support, and Gains	4,350,321	4,684,450	9,034,771
EXPENSES			
Program Services Expense	3,372,996	-	3,372,996
Management and General	571,094	-	571,094
Fundraising and Development	531,795	-	531,795
Total Expenses	4,475,885	-	4,475,885
CHANGE IN NET ASSETS	(125,564)	4,684,450	4,558,886
Net Assets - Beginning of Year	360,160	5,598,195	5,958,355
NET ASSETS - END OF YEAR	\$ 234,596	\$ 10,282,645	\$ 10,517,241

See accompanying Notes to Financial Statements.

THE GROUNDTRUTH PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Program Services	Management and General	Fundraising and Development	Total
Salaries and Benefits	\$ 1,347,325	\$ 390,396	\$ 360,706	\$ 2,098,427
Fellows and Corps Members	1,033,634	-	-	1,033,634
Contractors & Consultants	403,757	43,588	35,960	483,305
General Operating Expenses	195,954	53,987	51,778	301,719
Travel, Meals, and Entertainment	197,012	9,437	31,088	237,537
Professional Services	100,141	37,301	26,518	163,960
Rent Expense	68,031	26,008	18,403	112,442
Depreciation and Amortization	15,688	5,998	4,244	25,930
Insurance Expense	11,454	4,379	3,098	18,931
Total Expenses	<u>\$ 3,372,996</u>	<u>\$ 571,094</u>	<u>\$ 531,795</u>	<u>\$ 4,475,885</u>

See accompanying Notes to Financial Statements.

**THE GROUNDTRUTH PROJECT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 4,558,886
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities:	
Depreciation and Amortization	25,930
Changes in Operating Assets and Liabilities:	
Contributions Receivable	(4,207,440)
Host News Room Contracts	(172,639)
Other Current Assets	(5,405)
Accounts Payable	141,833
Funds Designated for Specific Use	162,643
Other Current Liabilities	200,179
Net Cash Provided by Operating Activities	703,987

CASH FLOWS FROM INVESTING ACTIVITIES

Capital Expenditures	(28,306)
Net Cash Used by Investing Activities	(28,306)

NET INCREASE IN CASH AND CASH EQUIVALENTS

675,681

Cash and Cash Equivalents - Beginning of Year

3,752,240

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 4,427,921

See accompanying Notes to Financial Statements.

THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 1 ORGANIZATION AND PURPOSE

The GroundTruth Project, Inc. (the Organization), a not-for-profit corporation, was founded to restore journalism from the ground up by supporting the next generation of journalists through field reporting that serves under-covered corners of the United States and the world. The Organization seeks to repair a broken pipeline with an infusion of talent from emerging journalists, restore faith in the media industry, and by supporting in-depth public service reporting. The Organization focuses on training and educating the craft of journalism and the power of accountable reporting. While meeting the challenges of communicating accurate news in the current digital age, the Organization delivers on that challenge with a spirit of public service.

The Organization's programs build an engaged community around impactful journalism and powerful storytelling by a new generation, while supporting their careers as fellows, corps members and alumni. Since incorporation on August 8, 2012, the Organization has supported more than 300 emerging journalists across more than 30 countries. The Organization trains and produces content in its fellowships and corps members through various mediums including essays, photo essays, podcasts, and films as well as corps member service projects through its national program, Report for America.

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).

Display of Net Assets by Class

Net assets, revenues, and support are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are available for use in general operations and not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purposes for which the resources was restricted has been fulfilled, or both. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintain in perpetuity. For the year-ended December 31, 2019, there were no net assets with donor restrictions maintained in perpetuity.

**THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

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 April 7, 2020, the date that the financial statements are available to be issued.

Cash and Cash Equivalents

The Organization considers all cash and highly liquid financial instruments with original maturities of three months or less, which are not restricted by donors for long-term purposes, to be cash and 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, 2019, 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.

Property and Equipment

Property and equipment are recorded at cost. Assets having a useful life of at least one year are capitalized if the total cost is over \$2,000. Donated property is recorded at its estimated fair value at the date of receipt. Gifts of long-lived assets are recorded at their fair market value at the date of donation and reported as unrestricted support unless explicit donor stipulations specify how the assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support.

Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Equipment	3 Years
Website	3 Years

Property and equipment consisted of the following as of December 31, 2019:

Equipment	\$ 33,295
Website	144,199
Subtotal	177,494
Less: Accumulated Depreciation and Amortization	(123,540)
Total Property and Equipment	\$ 53,954

Funds Designated for Specific Use

Host newsrooms participating in the Report for America corps program may raise their own funding for their News Corps members. The Organization receives locally raised funds, which is reflected as a liability until it is disbursed to the newsrooms.

THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

The Organization receives grants and contributions from various donors and grantors, including other not-for-profit organizations, which are recorded as increases in assets without donor restrictions or assets with donor restrictions, depending on the existence of any donor restrictions. Grants and contributions are considered to be available for 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.

Functional Allocation of 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. Indirect costs, such as rent, professional and consulting services, depreciation expense, and certain office expenses are allocated based on pro-rata share of salaries for each function.

Income Taxes

The GroundTruth Project, Inc. is exempt from federal and state income taxes under Section 501(c)(3) of the United States Internal Revenue Code and, as a corporation organized under Chapter 180 of the General Law of the Commonwealth of Massachusetts, it is also exempt from income tax in Massachusetts. Accordingly, no provisions for federal and state income taxes have been made.

Advertising Costs

Advertising costs are expensed as incurred and approximated \$3,512 during the year ended December 31, 2019.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the Organization to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Change in Accounting Principle

The Organization has adopted the clarified accounting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Adoption of the new standard had no effect on the previously reported total change in net assets or net assets balance.

THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs. The Organization also has access to a line of credit to supplement cash flows as needed, as described in Note 6.

The Organization's sources of liquidity include cash and cash equivalents and contributions receivable. For the purpose of analyzing resources available to meet general expenditures over a 12- month period, the Organization considers all expenditures related to its ongoing activities to be general expenditures.

As of December 31, 2019, total financial assets held by the Organization are as follows:

Cash and Cash Equivalents	\$ 4,427,921
Contributions Receivable Within One Year	<u>2,565,629</u>
Subtotal	6,993,550
Less Funds Designated for Specific Use included in Cash and Cash Equivalents	<u>(138,737)</u>
Total	<u><u>\$ 6,854,813</u></u>

NOTE 4 CONTRIBUTIONS RECEIVABLE

Unconditional contributions receivable are due as follows at December 31, 2019:

Within One Year	\$ 2,565,629
In One to Five Years	<u>3,900,500</u>
Total	<u><u>\$ 6,466,129</u></u>

NOTE 5 HOST NEWSROOMS CONTRACTS AND COMMITMENTS

In connection with the Organization's mission, the Organization provides grants to host newsrooms to support Report for America corps members at those newsrooms. As of December 31, 2019, the Organization had prepayments on those contracts totaling \$172,639.

The Organization is committed to funding current corps members under those contracts through May 31, 2020, with expected payments to approximate \$271,458 in 2020.

NOTE 6 LINE OF CREDIT

On September 27, 2019, the Organization entered into a line of credit agreement with a bank, expiring in one year. The line of credit includes an available balance of \$500,000, bears interest at the LIBOR daily floating rate plus 3.00% (4.55% at December 31, 2019) and is collateralized by the Organization's assets.

THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 7 CONCENTRATION OF CREDIT RISK

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, the Organization has not experienced losses in any of these accounts.

Credit risk associated with contributions receivable is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from board members foundations, and other grantors supportive of the Organization's mission. During 2019, two donors accounted for 75% of total contributions receivable. One contributor accounted for approximately 56% of total contribution revenue for the year ended December 31, 2019.

NOTE 8 LEASE COMMITMENTS

The Organization leases office space under various non-cancellable and cancellable operating leases as follows:

The Organization leased office space in Woods Hole, MA at a rate of \$900 per month through August 31, 2019. The lease was renewed for 12 months through September 2020 at a rate of \$1,000 per month.

The Organization leased office space in Brooklyn, NY at a rate of \$2,000 per month, on a month-to-month basis, through June 2019.

In July 2019, the Organization began leasing new office space in New York, NY for a term of 12 months, with monthly payments of \$4,160, through July 2020.

In July 2019, the Organization began leasing new office space in Washington, DC at a rate of \$2,482 per month through June 2021.

The Organization leased office space on a month-to-month basis in Washington, DC at a rate of \$800 per month through June 2019.

The Organization's future minimum payments on the leases are as follows:

<u>Year Ending December 31,</u>	<u>Operating Leases</u>
2020	\$ 66,904
2021	14,892
Total Minimum Lease Payments	<u>\$ 81,796</u>

Security deposits related to the above leases amounted to \$12,900 as of December 31, 2019 and are included in other current assets. Rent expense for the above leases totaled \$68,732 for the year ended December 31, 2019. In addition, the Organization recorded rent expense related to donated office space in Boston, Massachusetts totaling \$43,710, as described in Note 10.

**THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions not invested in perpetuity are available for the following purposes at December 31, 2019:

Subject to Expenditure for Specified Program Purposes:	\$ 9,332,645
Total	<u>9,332,645</u>
Subject to the Passage of Time:	
Promises to Give that are not Restricted by Donors, But Which are Unavailable for Expenditure Until Due	950,000
Total	<u>950,000</u>
Total Net Assets with Donor Restrictions	<u><u>\$ 10,282,645</u></u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the year ended December 31, 2019:

Expiration of Time Restrictions	\$ 436,089
Satisfaction of Purpose Restrictions:	
Capacity Building / Overhead	487,267
Fellowships and Films	453,121
Report for America	2,623,796
Total Net Assets Released from Donor Restrictions	<u><u>\$ 4,000,273</u></u>

NOTE 10 DONATED PROFESSIONAL SERVICES AND GOODS

The Organization received the following donated professional services and goods during the year ended December 31, 2019:

<u>December 31, 2019</u>	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Rent	\$ 26,446	\$ 10,110	\$ 7,154	\$ 43,710
Legal Services	35,812	13,691	9,687	59,190
Other Goods and Services	23,937	7,734	5,473	37,144
Total	<u><u>\$ 86,195</u></u>	<u><u>\$ 31,535</u></u>	<u><u>\$ 22,314</u></u>	<u><u>\$ 140,044</u></u>

THE GROUNDTRUTH PROJECT, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 11 EMPLOYEE BENEFIT PLAN

The Organization sponsors a retirement plan (the Plan) qualified under IRC Section 403(b) that allows eligible employees to make elective contributions to the Plan, up to the maximum contribution allowed by law. Employer contributions are discretionary and are determined and authorized by the board of directors each plan year. During the year ended December 31, 2019, no discretionary contributions were made to the Plan.

NOTE 12 RELATED PARTY TRANSACTIONS

During the year ended December 31, 2019, the Organization's related party transactions were as follows:

In 2018, the Organization received a \$1,000,000 unconditional contribution from a foundation for which a director serves as the chief executive officer. As of December 31, 2019, \$600,000 related to this contribution was included in contributions receivable.

In 2018, the Organization received a \$250,000 unconditional contribution from a board member, of which \$150,000 was included in contributions receivable at December 31, 2019.

In 2019, the Organization received a final payment of \$50,000 on an unconditional promise to give recognized in a prior year from a foundation for which a director serves as the chief executive officer.

In 2019, the Organization received contributions totaling \$10,500 from two other directors, of which \$9,500 was included in promises to give at December 31, 2019.

In 2019, the Organization received a \$50,000 unconditional promise to give from a trust, which was included in promises to give at December 31, 2019. A director serves as the chief executive officer of the trust.

The Organization paid a relative of the chief executive officer, \$8,423 for photography and editing work.

The Organization paid \$20,802 to a company owned by an employee for use of a film studio and talent.

The Organization received in-kind legal services from a director totaling \$41,172.

The chief executive officer of The GroundTruth Project, Inc. and the president of Report for America, who receive compensation and benefits for their services, also serve on the board of directors.

