

MUCKROCK FOUNDATION, INC.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2020**



DAMIANO, BURK & NUTTALL, P.C.
Certified Public Accountants and Advisors

MUCKROCK FOUNDATION, INC.

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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, 2020 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, 2020, 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.

Report on Summarized Comparative Information

We have previously audited MuckRock Foundation, Inc.'s financial statements as of and for the year ended December 31, 2019, and we expressed a qualified opinion on those audited financial statements in our report dated September 29, 2020. The basis for our qualified opinion is as described in the Basis for Qualified Opinion paragraph above. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which they were derived.

Damiano, Burk & Nuttall, P.C.

Damiano, Burk & Nuttall, P.C.
Lincoln, Rhode Island
October 4, 2021

MUCKROCK FOUNDATION, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

<i>ASSETS</i>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash	\$ 315,964	\$ 184,356
Restricted cash	360,139	-
Prepaid expenses	9,190	8,239
TOTAL CURRENT ASSETS	<u>685,293</u>	<u>192,595</u>
Property and equipment:		
Furniture and equipment	11,559	11,559
Less accumulated depreciation	<u>(7,036)</u>	<u>(3,262)</u>
PROPERTY AND EQUIPMENT, NET	<u>4,523</u>	<u>8,297</u>
Other assets:		
Deposits	<u>-</u>	<u>1,700</u>
TOTAL ASSETS	<u>\$ 689,816</u>	<u>\$ 202,592</u>
<i>LIABILITIES AND NET ASSETS</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 3,007	\$ 322
Accrued salaries and payroll taxes	54,568	43,919
Note payable, Paycheck Protection Program	<u>105,100</u>	<u>-</u>
TOTAL LIABILITIES	<u>162,675</u>	<u>44,241</u>
Net assets:		
Without donor restrictions	167,002	121,761
With donor restrictions	<u>360,139</u>	<u>36,590</u>
TOTAL NET ASSETS	<u>527,141</u>	<u>158,351</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 689,816</u>	<u>\$ 202,592</u>

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, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and support:				
Contributions	\$ 42,109	\$ -	\$ 42,109	\$ 30,475
Grants	878,701	360,139	1,238,840	471,838
Reporting projects and memberships	212,620	-	212,620	139,682
Consulting revenue	156,450	-	156,450	6,000
Non-refundable book advance	-	-	-	12,750
Other income	3,108	-	3,108	14,099
Net assets released from restrictions	36,590	(36,590)	-	-
TOTAL REVENUE AND SUPPORT	1,329,578	323,549	1,653,127	674,844
Expenses				
Program expenses	1,227,621	-	1,227,621	734,836
Supporting services	56,716	-	56,716	62,375
TOTAL EXPENSES	1,284,337	-	1,284,337	797,211
CHANGE IN NET ASSETS	45,241	323,549	368,790	(122,367)
Net assets, beginning of year	121,761	36,590	158,351	280,718
NET ASSETS, END OF YEAR	\$ 167,002	\$ 360,139	\$ 527,141	\$ 158,351

The accompanying notes are an integral part of these financial statements

MUCKROCK FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	2020			2019
	Program Expenses	Supporting Services	Total	Total
Payroll and related:				
Salaries and wages	\$ 605,161	\$ -	\$ 605,161	\$ 465,437
Payroll taxes and benefits	115,719	-	115,719	80,486
Contract labor	206,481	-	206,481	18,422
TOTAL PAYROLL AND RELATED	927,361	-	927,361	564,345
Other expenses:				
Office expenses	26,995	-	26,995	31,642
Telephone and internet	30,014	-	30,014	6,186
Software subscriptions	40,160	-	40,160	8,272
Hosting services	74,552	-	74,552	67,822
FOI fees	21,572	-	21,572	21,951
Occupancy costs	-	14,356	14,356	29,935
Travel	15,185	-	15,185	30,136
Professional fees	-	16,618	16,618	18,655
Insurance	-	15,257	15,257	7,166
Cost of merchandise sold	2,251	-	2,251	2,158
Advertising	-	6,711	6,711	4,867
Depreciation	-	3,774	3,774	1,752
Grants and contributions paid	89,531	-	89,531	2,324
TOTAL OTHER EXPENSES	300,260	56,716	356,976	232,866

The accompanying notes are an integral part of these financial statements

MUCKROCK FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 368,790	\$ (122,367)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	3,774	1,752
Changes in operating assets and liabilities		
Grants receivable	-	125,000
Prepaid expenses	(951)	(1,345)
Deposits	1,700	-
Accounts payable and accrued expenses	2,685	(1,121)
Accrued salaries and payroll taxes	10,649	20,885
NET CASH PROVIDED BY OPERATING ACTIVITIES	386,647	22,804
Cash flows from investing activities:		
Purchases of property and equipment	-	(5,477)
NET CASH USED IN INVESTING ACTIVITIES	-	(5,477)
Cash flows from financing activities:		
Proceeds from note payable, Paycheck Protection Program	105,100	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	105,100	-
NET INCREASE IN CASH AND CASH EQUIVALENTS	491,747	17,327
Cash and restricted cash, beginning	184,356	167,029
CASH AND RESTRICTED CASH, ENDING	\$ 676,103	\$ 184,356

The accompanying notes are an integral part of these financial statements

MUCKROCK FOUNDATION, INC.

NOTES TO THE FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

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 in 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

The financial statements are prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America.

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.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

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, 2019. 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. There were no outstanding grants or accounts receivable outstanding at December 31, 2020 or 2019.

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.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2020. 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. CASH AND RESTRICTED CASH

For purposes of the statement of cash flows, the Foundation presents changes in cash and restricted cash balances during the year. Cash and restricted cash balances include the following amounts presented in the statement of financial position:

	<u>2020</u>	<u>2019</u>
Cash	\$ 315,964	\$ 184,356
Restricted cash	360,139	-
TOTAL CASH AND RESTRICTED CASH	<u>\$ 676,103</u>	<u>\$ 184,356</u>

4. NOTE PAYABLE, PAYCHECK PROTECTION PROGRAM

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted on March 27, 2020 in the United States. On May 4, 2020, the Foundation was informed by its lender, Bank of America (the "Bank"), that the Bank received approval from the U.S. Small Business Administration ("SBA") to fund the Foundation's request for a loan under the SBA's Paycheck Protection Program ("PPP Loan") created as part of the recently enacted CARES Act administered by the SBA. Per the terms of the PPP Loan, the Foundation has received total proceeds of \$105,100 from the Bank. The PPP Loan is scheduled to mature on May 4, 2022, has a 1% interest rate, and is subject to the terms and conditions applicable to all loans made pursuant to the Paycheck Protection Program as administered by the SBA under the CARES Act.

Under the terms of the PPP, the loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period. The unforgiven portion of the PPP Loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. In accordance with the requirements of the CARES Act, the Foundation has used the proceeds from the first PPP Loan primarily for payroll costs and the loan was forgiven subsequent to December 31, 2020.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

5. NET ASSETS

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

	<u>2020</u>	<u>2019</u>
Google (Capacity Building)	\$ -	\$ 36,590
Foundation to Promote Open Society (Center for Collaborative Investigative Journalism)	111,197	-
Google (Sigma Data Journalism Awards)	14,226	-
Demcracy Fund (CI-X News)	55,540	-
Democracy Fund (Outlier Media)	<u>179,176</u>	<u>-</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 360,139</u>	<u>\$ 36,590</u>

6. CONCENTRATIONS

The Foundation received \$1,107,000 of revenue (66% of total revenue and support) from three donors during the year ended December 31, 2020. The Foundation received \$433,000 of revenue (66% of total revenue and support) from four donors during the year ended December 31, 2019.

7. RETIREMENT PLAN

The Foundation maintains a 401(k) plan for employees who meet the eligibility criteria to participate. The Foundation did not make any contributions to the plan for either of the years ended December 31, 2020 and 2019.

8. COMMITMENTS

The Foundation entered into a lease agreement for its primary operating facility on January 1, 2019 and expiring on December 31, 2019 at which point the Foundation continued occupancy under a tenant-at-will arrangement. Effective July 1, 2020, the Foundation terminated the lease agreement. The Foundation has not entered into any subsequent lease arrangements and all employees are working remotely due to conditions caused by the COVID-19 pandemic.

9. LIQUIDITY AND FINANCIAL RESOURCES

The Foundation has financial assets of approximately \$676,000, comprising cash and cash equivalents, as of December 31, 2020 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.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020
(WITH COMPARATIVE TOTALS FOR 2019)**

10. UNCERTAINTIES

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The pandemic has not had a material effect on the Foundation's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the availability of grant funds. Changes to the operating environment may increase operating costs. The future effects of these issues are unknown.

11. RECLASSIFICATION

Certain amounts in the financial statements as of and for the year ended December 31, 2019 have been reclassified to conform with the current period presentation. Such reclassification had no effect on previously reported changes in net assets.

12. 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, 2021 and October 4, 2021 (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.