

MUCKROCK FOUNDATION, INC.

**FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2021**

MUCKROCK FOUNDATION, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
Independent auditors' report	1-2
Financial statements	
Statement of financial position	3
Statement of activities and change in net assets	4
Statement of functional expenses	5
Statement of cash flows	6
Notes to the financial statements	7-11



INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of MuckRock Foundation, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of MuckRock Foundation, Inc. as of December 31, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MuckRock Foundation, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MuckRock Foundation, Inc.'s ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or

the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 MuckRock Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about MuckRock Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited MuckRock Foundation, Inc.'s financial statements as of and for the year ended December 31, 2020, and we expressed a qualified opinion on those audited financial statements in our report dated October 4, 2021. The basis for our qualified opinion was due to the omission of certain donated long-lived intangible assets assigned to MuckRock Foundation, Inc. during the year ended December 31, 2018. It is our opinion that the effect of the omission of those long-lived intangible assets is not material to the financial statements as of or for the year ended December 31, 2021. Accordingly, our opinion is not qualified with respect to this matter. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, 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
June 13, 2022

MUCKROCK FOUNDATION, INC.

**STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

<i>ASSETS</i>	2021	2020
Current assets:		
Cash	\$ 833,855	\$ 315,964
Restricted cash	1,130,910	360,139
Accounts receivable	12,500	-
Prepaid expenses	11,916	9,190
TOTAL CURRENT ASSETS	1,989,181	685,293
Property and equipment:		
Furniture and equipment	20,148	11,559
Less accumulated depreciation	(11,307)	(7,036)
PROPERTY AND EQUIPMENT, NET	8,841	4,523
Other assets:		
Deposits	-	-
TOTAL ASSETS	\$ 1,998,022	\$ 689,816
<i>LIABILITIES AND NET ASSETS</i>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 344	\$ 3,007
Accrued salaries and payroll taxes	77,203	54,568
Note payable, Paycheck Protection Program	-	105,100
TOTAL LIABILITIES	77,547	162,675
Net assets:		
Without donor restrictions	789,565	167,002
With donor restrictions	1,130,910	360,139
TOTAL NET ASSETS	1,920,475	527,141
TOTAL LIABILITIES AND NET ASSETS	\$ 1,998,022	\$ 689,816

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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>2021</u>			<u>2020</u>
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Total</u>
Revenue and support:				
Contributions	\$ 39,453	\$ -	\$ 39,453	\$ 42,109
Grants	1,274,507	1,829,865	3,104,372	1,238,840
Reporting projects and memberships	155,054	-	155,054	212,620
Consulting revenue	27,500	-	27,500	156,450
Other income	20,939	-	20,939	3,108
Net assets released from restrictions	1,059,094	(1,059,094)	-	-
TOTAL REVENUE AND SUPPORT	<u>2,576,547</u>	<u>770,771</u>	<u>3,347,318</u>	<u>1,653,127</u>
Expenses				
Program expenses	1,888,922	-	1,888,922	1,227,621
Supporting services	65,062	-	65,062	56,716
TOTAL EXPENSES	<u>1,953,984</u>	<u>-</u>	<u>1,953,984</u>	<u>1,284,337</u>
CHANGE IN NET ASSETS	622,563	770,771	1,393,334	368,790
Net assets, beginning of year	167,002	360,139	527,141	158,351
NET ASSETS, END OF YEAR	<u>\$ 789,565</u>	<u>\$ 1,130,910</u>	<u>\$ 1,920,475</u>	<u>\$ 527,141</u>

The accompanying notes are an integral part of these financial statements

MUCKROCK FOUNDATION, INC.

**STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	<u>2021</u>			<u>2020</u>
	<u>Program Expenses</u>	<u>Supporting Services</u>	<u>Total</u>	<u>Total</u>
Payroll and related:				
Salaries and wages	\$ 802,179	\$ -	\$ 802,179	\$ 605,161
Payroll taxes and benefits	147,350	-	147,350	115,719
Contract labor	665,790	-	665,790	206,481
TOTAL PAYROLL AND RELATED	<u>1,615,319</u>	<u>-</u>	<u>1,615,319</u>	<u>927,361</u>
Other expenses:				
Office expenses	1,067	-	1,067	26,995
Telephone and internet	22,565	-	22,565	30,014
Software subscriptions	33,183	-	33,183	40,160
Hosting services	70,069	-	70,069	74,552
Fiscal sponsorship fees	49,670	-	49,670	-
FOI fees	22,661	-	22,661	21,572
Occupancy costs	-	-	-	14,356
Travel	7,228	-	7,228	15,185
Professional fees	3,530	36,648	40,178	16,618
Insurance	-	17,146	17,146	15,257
Cost of merchandise sold	-	-	-	2,251
Advertising	-	6,997	6,997	6,711
Depreciation	-	4,271	4,271	3,774
Grants and contributions paid	63,630	-	63,630	89,531
TOTAL OTHER EXPENSES	<u>273,603</u>	<u>65,062</u>	<u>338,665</u>	<u>356,976</u>
TOTAL EXPENSES	<u>\$ 1,888,922</u>	<u>\$ 65,062</u>	<u>\$ 1,953,984</u>	<u>\$ 1,284,337</u>

The accompanying notes are an integral part of these financial statements

MUCKROCK FOUNDATION, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,393,334	\$ 368,790
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,271	3,774
Forgiveness of note payable, Paycheck Protection Program	(105,100)	-
Changes in operating assets and liabilities		
Accounts receivable	(12,500)	-
Prepaid expenses	(2,726)	(951)
Deposits	-	1,700
Accounts payable and accrued expenses	(2,663)	2,685
Accrued salaries and payroll taxes	22,635	10,649
	1,297,251	386,647
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,297,251	386,647
Cash flows from investing activities:		
Purchases of property and equipment	(8,589)	-
NET CASH USED IN INVESTING ACTIVITIES	(8,589)	-
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	1,288,662	491,747
Cash and restricted cash, beginning	676,103	184,356
CASH AND RESTRICTED CASH, ENDING	\$ 1,964,765	\$ 676,103

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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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. Management has determined that the omission of the carrying value of the intellectual property no longer has a material effect on the financial statements as of and for the year ended December 31, 2021.

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.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. Management determined that no allowance for uncollectible accounts was required at December 31, 2021 or 2020.

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, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

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, 2021 or 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>2021</u>	<u>2020</u>
Cash	\$ 833,855	\$ 315,964
Restricted cash	<u>1,130,910</u>	<u>360,139</u>
TOTAL CASH AND RESTRICTED CASH	<u>\$ 1,964,765</u>	<u>\$ 676,103</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 during the year ended December 31, 2021 and is included in grant income.

MUCKROCK FOUNDATION, INC.

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021
(WITH COMPARATIVE TOTALS FOR 2020)**

5. NET ASSETS

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

	<u>2021</u>	<u>2020</u>
Center for Collaborative Investigative Journalism	\$ 37,869	\$ 111,197
Sigma Data Journalism Awards	-	14,226
CI-X News	4,828	55,540
MLK50	773,802	-
Portland Record	10,000	-
Outlier Media	304,411	179,176
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,130,910</u>	<u>\$ 360,139</u>

The Organization is a party to several fiscal sponsorship agreements. Those agreements provide that the Organization will carry out activities consistent with the Organization's goals, the purpose of the fiscal sponsorship, and donor-imposed restrictions. Management has determined that the agreements provide sufficient variance power over the Organization's expenditure of those funds and, accordingly, grants related to the fiscal sponsorships, as well as related expenses, are included in the financial statements of the Organization as restricted net assets until utilized for their intended purpose.

6. CONCENTRATIONS

The Foundation received \$2,227,352 of revenue (approximately 67% of total revenue and support) from five donors during the year ended December 31, 2021. The Foundation received \$1,107,000 of revenue (66% of total revenue and support) from three donors during the year ended December 31, 2020.

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, 2021 and 2020.

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, 2021 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, 2021 (WITH COMPARATIVE TOTALS FOR 2020)

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, 2020 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, 2022 and June 13, 2022 (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.