



JOURNALISM DEVELOPMENT NETWORK

**FINANCIAL AND FEDERAL AWARD
COMPLIANCE EXAMINATION**

FOR THE YEAR ENDED DECEMBER 31, 2019

JOURNALISM DEVELOPMENT NETWORK, INC.

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COMBINED FINANCIAL STATEMENTS



JOURNALISM DEVELOPMENT NETWORK

**FOR THE YEARS ENDED
DECEMBER 31, 2019 AND 2018**

JOURNALISM DEVELOPMENT NETWORK, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Journalism Development Network, Inc.
Sarajevo, Bosnia and Herzegovina

Report on the Financial Statements

We have audited the accompanying combined financial statements of the Journalism Development Network, Inc. and Asociatiei Journalism Development Network (collectively, JDN), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 the combined 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 combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of JDN as of December 31, 2019 and 2018, and the combined changes in its net assets and its combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole. The Schedule of Expenditures of Federal Awards on pages I-(17 - 19), as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the combined financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020 on our consideration of JDN's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JDN's internal control over financial reporting and compliance.



June 22, 2020

JOURNALISM DEVELOPMENT NETWORK, INC.
COMBINED STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,660,993	\$ 1,926,133
Accounts receivable	274,647	187,716
Grants receivable	7,508,114	4,620,523
Prepaid expenses	31,354	17,576
Fixed assets, net of accumulated depreciation of \$6,609 and \$2,266 for 2019 and 2018, respectively	<u>16,997</u>	<u>21,340</u>
TOTAL ASSETS	<u>\$ 10,492,105</u>	<u>\$ 6,773,288</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable and accrued expenses	\$ 256,616	\$ 230,972
Due to sub-recipients	48,951	238,152
Refundable advance	<u>166,139</u>	<u>47,171</u>
Total liabilities	<u>471,706</u>	<u>516,295</u>

NET ASSETS

Without donor restrictions	582,689	377,565
With donor restrictions	<u>9,437,710</u>	<u>5,879,428</u>
Total net assets	<u>10,020,399</u>	<u>6,256,993</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 10,492,105</u>	<u>\$ 6,773,288</u>

JOURNALISM DEVELOPMENT NETWORK, INC.

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE			
Grants and contributions			
U.S. Government	\$ 5,832,421	\$ -	\$ 5,832,421
Private foundations	-	6,712,611	6,712,611
Individuals	156,739	-	156,739
Consulting and other revenue	(5,993)	-	(5,993)
In-kind contributions from sub-recipients	-	35,834	35,834
Net assets released from donor restrictions	<u>3,132,564</u>	<u>(3,132,564)</u>	<u>-</u>
Total revenue	<u>9,115,731</u>	<u>3,615,881</u>	<u>12,731,612</u>
EXPENSES			
Program Services	8,170,458	-	8,170,458
Management and General	<u>727,293</u>	<u>-</u>	<u>727,293</u>
Total expenses	<u>8,897,751</u>	<u>-</u>	<u>8,897,751</u>
Changes in net assets before other items	217,980	3,615,881	3,833,861
OTHER ITEMS			
Funds returned to donor	-	-	-
Currency (loss) gain	<u>(12,856)</u>	<u>(57,599)</u>	<u>(70,455)</u>
Changes in net assets	205,124	3,558,282	3,763,406
Net assets at beginning of year	<u>377,565</u>	<u>5,879,428</u>	<u>6,256,993</u>
NET ASSETS AT END OF YEAR	<u>\$ 582,689</u>	<u>\$ 9,437,710</u>	<u>\$ 10,020,399</u>

2018		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 3,709,323	\$ -	\$ 3,709,323
-	6,479,236	6,479,236
170,666	36,530	207,196
35,862	-	35,862
-	-	-
<u>2,566,936</u>	<u>(2,566,936)</u>	<u>-</u>
<u>6,482,787</u>	<u>3,948,830</u>	<u>10,431,617</u>
5,669,126	-	5,669,126
<u>842,993</u>	<u>-</u>	<u>842,993</u>
<u>6,512,119</u>	<u>-</u>	<u>6,512,119</u>
(29,332)	3,948,830	3,919,498
-	(43,297)	(43,297)
<u>3,248</u>	<u>(66,039)</u>	<u>(62,791)</u>
(26,084)	3,839,494	3,813,410
<u>403,649</u>	<u>2,039,934</u>	<u>2,443,583</u>
<u>\$ 377,565</u>	<u>\$ 5,879,428</u>	<u>\$ 6,256,993</u>

JOURNALISM DEVELOPMENT NETWORK, INC.

**COMBINED STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Personnel costs	\$ 3,201,949	\$ 422,676	\$ 3,624,625	\$ 2,604,478	\$ 373,211	\$ 2,977,689
Contract services	1,502,824	104,659	1,607,483	439,976	102,944	542,920
Facilities and equipment	141,864	46,468	188,332	53,954	21,857	75,811
Donations	-	-	-	-	120,000	120,000
Travel and meetings	1,287,033	68,246	1,355,279	754,247	118,102	872,349
Operations	649,570	68,592	718,162	287,443	87,502	374,945
Insurance expense	57,250	16,652	73,902	59,478	19,377	78,855
Program expenses and subgrants	1,329,968	-	1,329,968	1,469,550	-	1,469,550
TOTAL	\$ 8,170,458	\$ 727,293	\$ 8,897,751	\$ 5,669,126	\$ 842,993	\$ 6,512,119

JOURNALISM DEVELOPMENT NETWORK, INC.

**COMBINED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 3,763,406	\$ 3,813,410
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	4,343	449
Increase in:		
Accounts receivable	(86,931)	(56,872)
Grants receivable	(2,887,591)	(2,961,209)
Prepaid expenses	(13,778)	(12,185)
Increase (decrease) in:		
Accounts payable and accrued expenses	25,644	52,207
Due to sub-recipients	(189,201)	119,257
Refundable advance	<u>118,968</u>	<u>1,100</u>
Net cash provided by operating activities	<u>734,860</u>	<u>956,157</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	<u>-</u>	<u>(21,715)</u>
Net cash used by investing activities	<u>-</u>	<u>(21,715)</u>
Net increase in cash and cash equivalents	734,860	934,442
Cash and cash equivalents at beginning of year	<u>1,926,133</u>	<u>991,691</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,660,993</u>	<u>\$ 1,926,133</u>

JOURNALISM DEVELOPMENT NETWORK, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organizations -

The Journalism Development Network, Inc. is a nonprofit organization, incorporated in the State of Maryland with its headquarters office located in Sarajevo, Bosnia and Herzegovina. The Journalism Development Network, Inc. operates the Organized Crime and Corruption Reporting Project, a consortium of news organizations dedicated to crossborder reporting on organized crime. The Journalism Development Network, Inc. also does media development in developing countries around the world concentrating on investigative reporting and media management. Programs are currently being conducted in S.E. Europe, Eurasia and Central America.

On November 22, 2011, Asociatiei Journalism Development Network was legally established in Bucharest, Romania. The Asociatiei Journalism Development Network is a nonprofit entity within the laws of Romania. The purposes of the Asociatiei Journalism Development Network are in accordance with the Journalism Development Network, Inc.'s purposes and the mission of Asociatiei Journalism Development Network is to focus on investigative reporting and investigative reporting education.

The Journalism Development Network, Inc. maintains significant control over Asociatiei Journalism Development Network. Accordingly, the accompanying combined financial statements include the assets, liabilities, net assets and results from operations of both organizations. All significant inter-company transactions have been eliminated in combination.

Basis of presentation

The accompanying combined financial statements are presented on the accrual basis of accounting, and in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

The accompanying financial statements represent the activity of JDN only. For the year ended December 30, 2018, the financial statements of (the) have been combined with JDN in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*. The consolidated financial statements are available at the JDN's headquarters.

JOURNALISM DEVELOPMENT NETWORK, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

New accounting pronouncements adopted -

During 2019, JDN adopted Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way JDN recognized revenue; however, the presentation and disclosures of revenue have been enhanced. JDN has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

Also during 2019, JDN adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improve guidance to better distinguish between conditional and unconditional contributions. JDN adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

JDN considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents. Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, JDN maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Cash and cash equivalents held in Bosnia and Herzegovina and Romania totaled \$33,373 and \$955,335, respectively, at December 31, 2018 and 2017. The majority of such funds are uninsured.

Grants, contributions and accounts receivable -

Grants, contributions and accounts receivable approximate fair value as of December 31, 2019 and 2018. Management considers all amounts to be fully collectable. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets -

Fixed assets in excess of \$5,000 are capitalized and stated at cost. Fixed assets are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to five years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

JDN is exempt under Section 501(c)(3) of the Internal Revenue Code. Journalism Development Network, Inc. is not a private foundation as described in Section 509(a)(2) of the Internal Revenue Code.

Asociatiei Journalism Development Network has been granted tax exempt status by the Government of Romania.

JOURNALISM DEVELOPMENT NETWORK, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Income taxes (continued) -

Based upon the nonprofit nature of both entities, no provision for income taxes has been made in the accompanying combined financial statements.

Uncertain tax positions -

For the years ended December 31, 2019 and 2018, Journalism Development Network, Inc. and Asociației Journalism Development Network have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the combined financial statements.

Grants and contributions -

Gifts, including unconditional pledges and grants are recognized in the appropriate category of net assets in the period received. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Pledges receivable are stated at the estimated net present value, net of an allowance for uncollectible amounts. Conditional promises to give are not recognized until the condition on which they depend are substantially met. Contributions and grants qualifying as contributions are recorded by the JDN upon notification of the contribution and grant award and satisfaction of all conditions, if applicable. Contributions and grants are classified as net assets with donor restrictions when use of the contribution or grant funds is limited to specific programmatic areas or is designated for use in future periods. Contributions and grants with donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying combined financial statements. Contributions and grants received in advance of incurring the related expenses are recorded as "net assets with donor restrictions".

JDN receives awards under grants and contracts from the U.S. government for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such awards are recorded as exchange transactions within the "without donor restrictions" to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements. Awards received under grants and contracts in advance of incurring the related expenses for direct and indirect program costs are recorded as a refundable advance.

Danish Ministry of Foreign Affairs -

During the 2019 fiscal year, the Danish Ministry of Foreign Affairs awarded JDN a grant in the amount of \$1,040,258 (DKK 7,000,000) of which \$256,689 (DKK 1,750,000) was received via wire transfer. The balance of \$783,569 is included in grants receivable in the accompanying combined statements of financial position.

As of December 31, 2019, JDN incurred \$115,589 of expenses in accordance with the terms and conditions of the award. The accompanying 2019 combined statements of activities and changes in net assets includes the Danish Ministry of Foreign Affairs award of \$1,040,258 in donor restricted grant revenue and net assets released from donor restrictions includes \$115,589. The remaining balance of the award (\$924,669) is reported within "Net Assets with Donor Restrictions" on the accompanying 2019 combined Statements of Financial Position.

JOURNALISM DEVELOPMENT NETWORK, INC.

NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Use of estimates -

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Combined Statements of Activities and Changes in Net Assets. Certain costs which are not specifically identifiable to a specific function yet benefit several functional areas have been allocated to certain functional areas based upon JDN's cost allocation policy.

New accounting pronouncements (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for non public entities beginning after December 15, 2020. Early adoption is permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment. JDN plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying combined financial statements.

2. GRANTS RECEIVABLE

Grants receivable as of December 31, 2019 and 2018, respectively, are as follows:

	<u>2019</u>	<u>2018</u>
SIDA	\$ 1,562,132	\$ 2,296,233
FCO 3 (British)	1,482,600	-
EIHDR (E.U.)	1,107,210	-
Denmark	783,569	-
SKOLL	735,000	-
OSF FLEX	600,000	-
Omidyar Network	400,000	400,000
Rockefeller Brothers	300,000	-
Vital Strategies	300,000	-
ICFJ (RJN)	114,479	-
Swiss Government (Romania)	72,592	178,819
DRL (Eurasia)	25,351	-
NED - Central Asia 2	15,510	-
USDoS RRIR	7,810	46,137
NED - Data	1,961	-
FCO 2 (British)	-	1,005,871

JOURNALISM DEVELOPMENT NETWORK, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

3. GRANTS RECEIVABLE (Continued)

	<u>2019</u>	<u>2018</u>
USDoS Global	\$ -	\$ 262,099
Sigrid Rausing Trust (2)	-	202,475
Rockefeller Brothers	-	80,067
Open Society Foundations - Central Asia (3)	-	80,000
USDoS Russia	-	26,543
Denmark	-	11,420
CIPE	-	23,230
Rockefeller Brothers	-	7,629
	<u>-</u>	<u>7,629</u>
TOTAL GRANTS RECEIVABLE	<u>\$ 7,508,214</u>	<u>\$ 4,620,523</u>

Following is a schedule of amounts due, by year, as of December 31, 2019 and 2018, respectively.

	<u>2019</u>	<u>2018</u>
Less than one year	\$ 4,604,683	\$ 3,139,123
One to five years	<u>2,903,531</u>	<u>1,481,400</u>
	<u>\$ 7,508,214</u>	<u>\$ 4,620,523</u>

4. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following at December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose:		
SIDA	\$ 2,668,960	\$ 2,957,572
SKOLL	1,495,358	-
FCO (3)	1,306,090	-
EIHDR	1,107,210	-
Denmark	924,669	-
Omidyar Network	579,647	796,622
OSF Flex	550,968	-
Vital Strategies	306,985	-
Rockefeller Brothers Foundation (2)	300,000	-
Sigrid Rausing Trust (2)	183,553	400,554
United States Embassy - Tajikistan	12,994	12,994
Knight Foundation	1,276	-
FCO (2)	-	808,770
Open Society Foundations - Regional	-	300,455
Google DNI (Romania)	-	164,525
Open Society Foundations - Central Asia (3)	-	143,576
Rockefeller Brothers Foundation	-	100,000
Swiss Government (Romania)	-	77,731
Google	-	67,593
Skoll	-	36,439
Danwatch ICE4U	-	7,871
Open Society Foundations - Factful	-	3,450
Knight Foundation	-	1,276
	<u>-</u>	<u>1,276</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 9,437,710</u>	<u>\$ 5,879,428</u>

JOURNALISM DEVELOPMENT NETWORK, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

3. NET ASSETS WITH DONOR RESTRICTIONS (Continued)

The following net assets with donor restrictions were released from such restrictions by JDN incurring expenses which satisfied the restricted purposes specified by the donors:

	2019	2018
Subject to expenditure for specified purpose:		
FCO (2)	\$ 770,876	\$ 455,941
Open Society Foundations - Regional	300,455	386,304
SIDA	288,613	5,227
Open Society Foundations - Flex	249,033	-
Sigrid Rausing Trust (2)	217,001	191,243
Omidyar Network	216,975	3,378
FCO (3)	210,711	-
Google DNI (Romania)	162,455	151,048
Open Society Foundations - Central Asia (3)	143,576	16,424
Vital Strategies	143,015	-
Denmark	115,589	-
Rockefeller Brothers Foundation	100,000	-
Swiss Grant (Romania)	96,774	163,896
Google	67,593	-
Skoll	36,439	-
Skoll Admin	4,643	-
Danwatch IJE4U	5,366	9,058
Open Society Foundations - Factful	3,450	696,451
FCO	-	394,755
RICO	-	30,780
CIPE	-	26,117
Skoll	-	13,215
Crystal	-	9,232
Google	-	7,867
Khadija	-	6,000
	\$ 3,132,564	\$ 2,566,936
TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 3,132,564</u>	<u>\$ 2,566,936</u>

5. CONTINGENCIES

JDN receives grants from various agencies of the United States Government. Beginning with the fiscal year that ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2019. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

In the normal course of JDN's business operations, lawsuits alleging defamation of character or libel may be filed against JDN. Management of JDN would vigorously defend such lawsuits and based upon JDN's current insurance coverage, management believes that any potential loss resulting from an adverse ruling would be immaterial to the financial statements.

JOURNALISM DEVELOPMENT NETWORK, INC.

**NOTES TO COMBINED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

6. AVAILABILITY OF FINANCIAL ASSETS (LIQUIDITY)

The following reflects JDN's financial assets as of the date of the statement of financial position, reduced by amounts not available for general use within one year from the date of the statement of financial position because of contractual or donor imposed restrictions or internal designations. Amounts not available will generally include amounts received with donor restrictions, grants receivable not expected to be collected within one year from the date of the statement of financial position and amounts designated for reserves by the Board of Directors. An analysis of JDN's financial assets available to meet cash needs for general expenditures within one year as of December 31, 2019 and 2018, respectively, is as follows:

	<u>2019</u>	<u>2018</u>
Financial Assets as of December 31:		
Cash and cash equivalents	\$ 2,660,993	\$ 1,926,133
Accounts receivable	274,647	187,716
Grants receivable	7,508,114	4,620,523
Financial Assets not available to meet cash needs:		
Funds with donor restrictions	<u>(9,437,710)</u>	<u>(5,879,428)</u>
FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 1,006,044</u>	<u>\$ 854,944</u>

7. COMMITMENTS

JDN leases office space in Sarajevo, Bosnia and Herzegovina, Bucharest, Romania and Washington, D.C. The lease agreement in Sarajevo (effective April 1, 2019) requires monthly payments of 6,000 BAM (approximately \$3,367) and may be canceled by either party with 90 days written notice. The lease agreement in Bucharest requires monthly payments of 3,000 RON (approximately \$750) and may be canceled by either party with 30 days written notice. The lease agreement in Washington, DC is a month-to-month lease and currently requires monthly payments of \$1,810.

8. SUBSEQUENT EVENTS

In preparing these combined financial statements, JDN has evaluated events and transactions for potential recognition or disclosure through June 22, 2020, the date the combined financial statements were issued.

Subsequent to year-end, JDN has had to postpone certain work under grants from various donors due to the worldwide Coronavirus Disease 2019 (COVID-19) pandemic. The impact of the postponed work cannot be determined as of the date of our report due to the uncertainty about the future impact of the COVID 19 pandemic on the global economy.

SUPPLEMENTAL INFORMATION

JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identifying Number</u>	<u>CFDA Number</u>	<u>Pass-Through to Sub-Recipients</u>	<u>2019 Expenditures</u>
USAID - Regional Investigative Journalism Network	International Center for Journalists	AID-OAA-A-11-00005	98.001	\$ -	\$ 2,364,886
Subtotal CFDA 98.001				-	<u>2,364,886</u>
Department of State - Global Anti-Corruption Consortium	N/A	N/A	19.345	507,745	1,995,260
Department of State - Supporting Civil Society in Montenegro	N/A	N/A	19.345	-	210,382
Department of State - Rebooting Regional Investigative Journalism	N/A	N/A	19.345	-	324,125
Department of State - Balancing the Russian Media Sphere	N/A	N/A	19.345	-	439,087
Department of State - Media Capacity to Engage Citizens to Advance Freedom of Expression, Expose Corruption, and Rule of Law Issues	DRL Latin America/ International Center for Journalists	GR-P00309-16-01	19.345	-	67,507
Department of State - Promoting Investigative Reporting	National Endowment for Democracy	N/A	19.345	-	121,353
Department of State - Development of Video Content Management System	National Endowment for Democracy	N/A	19.345	-	165,466
Department of State - Strengthening Investigative Journalism in Eurasia	N/A	N/A	19.345	-	60,351
Department of State - Uncovering and Combating Venezuelan Corruption	Freedom House, Inc.	N/A	19.345	-	50,033
Department of State - Promoting Investigative Reporting	National Endowment for Democracy	N/A	19.345	-	15,510

JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Federal Granting Agency and Program Title</u>	<u>Pass-Through Entity</u>	<u>Pass-Through Identifying Number</u>	<u>CFDA Number</u>	<u>Pass-Through to Sub-Recipients</u>	<u>2019 Expenditures</u>
Department of State - Data Tools for Civil Society	National Endowment for Democracy	N/A	19.345	\$ -	\$ 18,461
Subtotal CFDA 19.345 - International Programs to Support Democracy				-	3,467,535
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 507,745	\$ 5,832,421

JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Journalism Development Network (JDN) under programs of the Federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of JDN, it is not intended to and does not present the financial position, changes in net assets or cash flows of JDN.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* wherein certain types of expenditures are not allowable or are limited as to reimbursement.

JOURNALISM DEVELOPMENT NETWORK, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

1). Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP on the accrual basis of accounting: Unmodified

2). Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

3). Noncompliance material to financial statements noted? Yes No

Federal Awards

4). Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? Yes None Reported

5). Type of auditor's report issued on compliance for major programs: Unmodified

6). Any audit findings disclosed that are required to be reported in accordance with 2 CFR200.516(a)? Yes No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>Pass-Through Entity</u>	<u>CFDA Number</u>	<u>Expenditures</u>
USAID - Regional Investigative Journalism Network	International Center for Journalists	98.001	\$ 2,364,886

8). Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

9). Auditee qualified as a low-risk auditee? Yes No

JOURNALISM DEVELOPMENT NETWORK, INC.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Section II - Financial Statement Findings

There were no reportable findings.

Section III – Federal Award Findings and Questioned Costs (2 CFR 200.516(a))

There were no reportable findings.



CPAs & ADVISORS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Independent Auditor's Report

To the Board of Directors
Journalism Development Network, Inc.
Sarajevo, Bosnia and Herzegovina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the combined financial statements of the Journalism Development Network, Inc. (JDN) as of and for the year ended December 31, 2019, and the related notes to the combined financial statements, which collectively comprise JDN's basic combined financial statements, and have issued our report thereon dated June 22, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered JDN's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of JDN's internal control. Accordingly, we do not express an opinion on the effectiveness of JDN's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of JDN's combined financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JDN's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 22, 2020



CPAs & ADVISORS

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)

Independent Auditor's Report

To the Board of Directors
Journalism Development Network, Inc.
Sarajevo, Bosnia and Herzegovina

Report on Compliance for Each Major Federal Program

We have audited the Journalism Development Network, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of JDN's major federal programs for the year ended December 31, 2019. JDN's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of JDN's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JDN's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of JDN's compliance.

Opinion on Each Major Federal Program

In our opinion, JDN complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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Report on Internal Control Over Compliance

Management of JDN is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered JDN's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of JDN's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



June 22, 2020