



JOURNALISM DEVELOPMENT NETWORK

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2017**

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
I. Financial Section	
Combined Financial Statements, for the Years Ended December 31, 2017 and 2016, Including the Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 20)
II. 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	II-(1 - 2)
III. Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by <i>Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>	III-(1 - 2)

# **COMBINED FINANCIAL STATEMENTS**



**JOURNALISM DEVELOPMENT NETWORK**

**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Combined Statements of Financial Position, as of December 31, 2017 and 2016	I-5
EXHIBIT B - Combined Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2017 and 2016	I-(6 - 7)
EXHIBIT C - Combined Statements of Functional Expenses, for the Years Ended December 31, 2017 and 2016	I-8
EXHIBIT D - Combined Statements of Cash Flows, for the Years Ended December 31, 2017 and 2016	I-9
NOTES TO COMBINED FINANCIAL STATEMENTS	I-(10 - 16)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Expenditures of Federal Awards, for the Year Ended December 31, 2017	I-(17 - 18)
SCHEDULE 2 - Schedule of Findings and Questioned Costs, for the Year Ended December 31, 2017	I-(19 - 20)

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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, 2017 and 2016, 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, 2017 and 2016, 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **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 - 18), 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 July 1, 2018 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.



July 1, 2018

**JOURNALISM DEVELOPMENT NETWORK, INC.**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017 AND 2016**

**ASSETS**

	<b>2017</b>	<b>2016</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 991,691	\$ 1,210,592
Accounts receivable	130,844	29,282
Grants receivable (Notes 2 and 5)	1,659,314	761,711
Prepaid expenses	5,391	1,031
Advances to sub-recipients	-	19,943
Total current assets	<u>2,787,240</u>	<u>2,022,559</u>
<b>FIXED ASSETS</b>		
Furniture	1,890	1,890
Less: Accumulated depreciation	(1,816)	(1,439)
Net fixed assets	74	451
<b>TOTAL ASSETS</b>	<b>\$ 2,787,314</b>	<b>\$ 2,023,010</b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 178,765	\$ 86,046
Due to sub-recipients	118,895	19,323
Refundable advance (Note 5)	46,071	397,327
Total current liabilities	343,731	502,696

**NET ASSETS**

Unrestricted	403,649	283,910
Temporarily restricted (Note 3)	2,039,934	1,236,404
Total net assets	2,443,583	1,520,314
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,787,314</b>	<b>\$ 2,023,010</b>

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	<b>2017</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUE</b>			
Grants and contributions (Notes 4 and 5)			
U.S. Government	\$ 2,068,693	\$ -	\$ 2,068,693
Private foundations	-	2,327,573	2,327,573
Individuals	123,113	-	123,113
Consulting and other revenue	51,860	-	51,860
Net assets released from donor restrictions (Note 3)	<u>1,617,987</u>	<u>(1,617,987)</u>	<u>-</u>
Total revenue	<u>3,861,653</u>	<u>709,586</u>	<u>4,571,239</u>
<b>EXPENSES</b>			
Program Services	3,431,423	-	3,431,423
Management and General	<u>312,732</u>	<u>-</u>	<u>312,732</u>
Total expenses	<u>3,744,155</u>	<u>-</u>	<u>3,744,155</u>
Changes in net assets before other item	117,498	709,586	827,084
<b>OTHER ITEM</b>			
Funds returned to donor	-	(200)	(200)
Currency gain (loss)	<u>2,241</u>	<u>94,144</u>	<u>96,385</u>
Changes in net assets	119,739	803,530	923,269
Net assets at beginning of year	<u>283,910</u>	<u>1,236,404</u>	<u>1,520,314</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 403,649</u></b>	<b><u>\$ 2,039,934</u></b>	<b><u>\$ 2,443,583</u></b>

<b>2016</b>		
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ 1,695,217	\$ -	\$ 1,695,217
-	240,333	240,333
49,927	-	49,927
45,055	-	45,055
<u>889,126</u>	<u>(889,126)</u>	<u>-</u>
<u>2,679,325</u>	<u>(648,793)</u>	<u>2,030,532</u>
2,313,415	-	2,313,415
<u>308,663</u>	<u>-</u>	<u>308,663</u>
<u>2,622,078</u>	<u>-</u>	<u>2,622,078</u>
57,247	(648,793)	(591,546)
-	-	-
<u>(353)</u>	<u>(8,984)</u>	<u>(9,337)</u>
56,894	(657,777)	(600,883)
<u>227,016</u>	<u>1,894,181</u>	<u>2,121,197</u>
<u><b>\$ 283,910</b></u>	<u><b>\$ 1,236,404</b></u>	<u><b>\$ 1,520,314</b></u>

## JOURNALISM DEVELOPMENT NETWORK, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017			2016		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Personnel costs	\$ 2,011,947	\$ 178,477	\$ 2,190,424	\$ 1,332,229	\$ 134,442	\$ 1,466,671
Contract services	238,325	44,800	283,125	181,232	19,654	200,886
Facilities and equipment	48,676	13,683	62,359	31,686	28,548	60,234
Travel and meetings	463,936	27,569	491,505	270,763	60,276	331,039
Operations	232,462	37,159	269,621	146,132	29,049	175,181
Insurance expense	51,825	11,044	62,869	44,048	36,694	80,742
Program expenses and subgrants	384,252	-	384,252	307,325	-	307,325
<b>TOTAL</b>	<b>\$ 3,431,423</b>	<b>\$ 312,732</b>	<b>\$ 3,744,155</b>	<b>\$ 2,313,415</b>	<b>\$ 308,663</b>	<b>\$ 2,622,078</b>

## JOURNALISM DEVELOPMENT NETWORK, INC.

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 923,269	\$ (600,883)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation	377	378
(Increase) decrease in:		
Accounts receivable	(101,562)	(8,876)
Grants receivable	(897,603)	710,828
Contributions receivable	-	58,000
Prepaid expenses	(4,360)	(834)
Advances to sub-recipients	19,943	52,337
Increase (decrease) in:		
Accounts payable and accrued expenses	92,719	8,806
Due to sub-recipients	99,572	19,323
Refundable advance	<u>(351,256)</u>	<u>383,058</u>
Net cash (used) provided by operating activities	<u>(218,901)</u>	<u>622,137</u>
Net (decrease) increase in cash and cash equivalents	(218,901)	622,137
Cash and cash equivalents at beginning of year	<u>1,210,592</u>	<u>588,455</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 991,691</u></b>	<b><u>\$ 1,210,592</u></b>

**JOURNALISM DEVELOPMENT NETWORK, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

**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 have been prepared on the accrual basis of accounting and in accordance with FASB ASC 958-810, *Not for Profit Entities, Consolidation*.

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.

Grants, contributions and accounts receivable -

Grants, contributions and accounts receivable approximate fair value as of December 31, 2017 and 2016. 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.

**JOURNALISM DEVELOPMENT NETWORK, INC.**  
**NOTES TO COMBINED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017 AND 2016**

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

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.

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, 2017 and 2016, Journalism Development Network, Inc. and Asociatiei 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.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of JDN and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of JDN. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Combined Statements of Activities and Changes in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor. Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions. Temporarily restricted grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying combined financial statements.

Awards received directly from the U.S. Government (or pass-through entities) are treated as exchange transactions and revenue is recognized as unrestricted support to the extent of expenses incurred. Funds received in excess of expenses incurred are reported as refundable advances in the accompanying Combined Statements of Financial Position.

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Combined Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of JDN's combined financial statements, it is not expected to alter JDN's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. JDN has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *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 Combined Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

JDN plans to adopt the new ASUs at the respective required implementation dates.

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**2. GRANTS RECEIVABLE**

Grants receivable as of December 31, 2017 and 2016, respectively, are as follows:

	<u>2017</u>	<u>2016</u>
Open Society Institute - Central Asia (2)	\$ -	\$ 224,960
Sigrid Rausing Trust (2)	392,926	-
Bay and Paul Foundation	25,000	-
FCO (British)	493,771	-
USDoS RRIR	13,844	-
USDoS Russia	9,578	-
ICFJ (RIJN Program)	71,797	151,836
Swiss Government (Romania)	387,745	384,915
Google - DNI (Romania)	<u>264,653</u>	<u>-</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 1,659,314</u></b>	<b><u>\$ 761,711</u></b>

Grant receivable are expected to be collected within one-year from the December 31, 2017 and 2016 year end dates, respectively.

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
United States Embassy - Tajikistan	\$ 12,994	\$ 12,994
Open Society Institute - Regional	243,980	246,388
Open Society Institute - Safety Report	-	39,950
Open Society Institute - Central Asia (2)	-	275,113
Open Society Institute - Corruptistan	-	4,350
Knight Foundation	1,276	1,276
Google	75,460	78,423
Swiss Government (Romania)	261,402	386,379
Google DNI (Romania)	325,308	-
Crystal	52,529	-
FCO	394,755	-
RICO	30,780	-
Skoll	49,654	98,245
Sigrid Rausing Trust	-	88,286
American Council	-	5,000
Sigrid Rausing Trust (2)	<u>591,796</u>	<u>-</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 2,039,934</u></b>	<b><u>\$ 1,236,404</u></b>

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**3. TEMPORARILY RESTRICTED NET ASSETS (Continued)**

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

	<u>2017</u>	<u>2016</u>
Open Society Institute - Safety Report	\$ 39,950	\$ 40
Open Society Institute - Regional	449,536	337,333
Google	2,963	22,601
Google DNI (Romania)	144,834	-
Crystal	47,471	-
FCO	250,361	-
Open Society Institute - Central Asia (2)	275,113	174,807
Open Society Institute - Corruptistan Foundation	-	38,499
Knight Foundation	-	128,450
Swiss Grant (Romania)	193,741	182,239
Skoll	48,591	1,755
Sigrid Rausing Trust	88,286	3,402
Sigrid Rausing Trust (2)	121	-
RICO	72,220	-
American Council	<u>4,800</u>	<u>-</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 1,617,987</u></b>	<b><u>\$ 889,126</u></b>

**4. 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 2017. 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.

**5. FUTURE COMMITMENTS – U.S. GOVERNMENT FUNDING**

As of December 31, 2017 and 2016, JDN had the following commitments from agencies (or pass-through entities) of the U.S. Government:

- During the 2011 fiscal year, JDN was awarded a grant agreement from the International Center for Journalists (a pass-through of a United States Agency for International Development award). The total amount of the award was \$2,144,813 (grant period is from March 15, 2011 to May 14, 2014).

## JOURNALISM DEVELOPMENT NETWORK, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2017 AND 2016

#### 5. FUTURE COMMITMENTS – U.S. GOVERNMENT FUNDING (Continued)

During March 2014, the agreement was extended for three years (completion date is March 14, 2017) and the amount awarded was increased to \$4,272,314. During the 2017 fiscal year the agreement was extended for an additional four years (completion date is now March 14, 2021) and the amount awarded was increased to \$8,754,880. JDN recognized revenue under the ICFJ award in the amounts of \$946,093 and \$1,071,136, respectively. As of December 31, 2017 and 2016, JDN had recorded a grant receivable of \$71,797 and \$151,836, respectively.

- During 2014, JDN was awarded \$424,364 from the United States Department of State (USDoS) for a program in Moldova. The grant period is from September 23, 2014 to January 31, 2016. For the years ended December 31, 2017 and 2016, JDN recognized revenue under the USDoS award in the amounts of \$0 and \$186,170, respectively. As of December 31, 2017 and 2016, JDN had recorded a refundable advance in the amount of \$2,307.
- During 2015, JDN was awarded \$1,185,158 from the United States Department of State (USDoS) for a program in Russia. The grant period is from June 1, 2015 to December 31, 2017. During the 2017 fiscal year, the grant agreement was extended to December 31, 2018 and the award amount was increased to \$1,776,197. For the years ended December 31, 2017 and 2016 JDN recognized revenue under the USDoS award in the amounts of \$377,607 and \$374,509, respectively. As of December 31, 2017, JDN had recorded a grant receivable in the amount of \$9,578. As of December 30, 2016, JDN had recorded a refundable advance in the amount of \$18,028.
- During 2015, JDN was awarded \$50,000 from the National Endowment for Democracy (a pass-through of a United States Agency for International Development award) for a program in Latin America. The grant period is from October 1, 2015 to June 30, 2017. During the years ended December 31, 2017 and 2016, JDN recognized revenue under the NED award in the amounts of \$19,059 and \$28,210, respectively. As of December 31, 2016, JDN had recorded refundable advance in the amounts of \$11,059. There was no refundable advance or amount due from NED at December 31, 2017.
- During 2016, JDN was awarded \$1,975,308 from the United States Department of State (USDoS) for a global program. The grant period is from November 23, 2016 to November 30, 2018. During the 2017 fiscal year, the award was increased to \$2,864,196. During the years ended December 31, 2017 and 2016, JDN recognized revenue under the USDoS award in the amounts of \$553,841 and \$4,769, respectively. As of December 31, 2017 and 2016, JDN had recorded a refundable advance in the amount of \$21,390 and \$325,231, respectively.
- During 2016, JDN was awarded \$214,854 from the International Center for Journalists (ICFJ) (a pass-through of a United States Department of State award) for a program in Latin America. The grant period was extended during the 2017 fiscal year and now runs from August 31, 2016 to March 30, 2018. During the years ended December 31, 2017 and 2016, JDN recognized revenue under the ICFJ award in the amounts of \$155,809 and \$30,423, respectively. As of December 31, 2017 and 2016, JDN had recorded a refundable advance in the amounts of \$22,374 and \$40,702, respectively.

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**5. FUTURE COMMITMENTS – U.S. GOVERNMENT FUNDING (Continued)**

- During the 2017 fiscal year, JDN was awarded a grant in the amount of \$691,350 from the United States Department of State (USDoS) for a program titled “Rebooting Regional Investigative Journalism”. The period of the award is from September 27, 2017 to September 30, 2019. During 2017, JDN recognized revenue under the grant in the amount of 13,844. As of December 31, 2017, JDN had recorded a grant receivable in the amount of \$13,844.
- During the 2017 fiscal year, JDN was awarded \$61,144 from the United States Department of State (USDoS) for a Tech Camp in Romania. The grant period was to be from July 17, 2017 to March 31, 2018; however, the grant was terminated during 2017. Prior to termination, JDN recognized revenue under the USDoS award in the amount of \$2,440 during the 2017 fiscal year. There was no refundable advance or amount due from USDoS at December 31, 2017.

**6. COMMITMENTS**

JDN leases office space in Sarajevo, Bosnia and Herzegovina and Bucharest, Romania under two separate lease agreements. The lease agreement in Bosnia and Herzegovina requires monthly payments of 4,155 BAM (approximately \$2,250) and the lease agreement in Romania requires monthly payments of 3,000 RON (approximately \$850). Both leases have no set termination date and may be canceled by either party with 30 days written notice.

**7. SUBSEQUENT EVENTS**

In preparing these combined financial statements, JDN has evaluated events and transactions for potential recognition or disclosure through July 1, 2018, the date the combined financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

## JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

<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>2017 Expenditures</u>
USAID - Regional Investigative Journalism Network	International Center for Journalists	AID-OAA-A-11-00005	98.001	\$ <u>40,018</u>	\$ <u>946,093</u>
<b>Subtotal CFDA 98.001</b>				<u>40,018</u>	<u>946,093</u>
Department of State - Promoting Transparency and Accountability of Public Figures	National Endowment for Democracy	2015-1274	19.345	-	19,059
Department of State - Global Anti-Corruption Consortium	N/A	N/A	19.345	214,198	553,841
Department of State - Rebooting Regional Investigative Journalism	N/A	N/A	19.345	-	13,844
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	-	155,809
Department of State - Balancing the Russian Media Sphere	N/A	N/A	19.345	<u>-</u>	<u>377,607</u>
<b>Subtotal CFDA 19.345 - International Programs to Support Democracy</b>				<u>214,198</u>	<u>1,120,160</u>
Department of State - Training in Romania	N/A	N/A	19.040	<u>-</u>	<u>2,440</u>
<b>Subtotal CFDA 19.040</b>				<u>-</u>	<u>2,440</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ <u>254,216</u></b>	<b>\$ <u>2,068,693</u></b>

JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

**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, 2017. 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, 2017

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>
USDOS - International Programs to Support Democracy	Various	19.345	\$ 1,120,160

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, 2017**

**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.



## 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, 2017, 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 July 1, 2018.

### 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.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

## 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".

July 1, 2018

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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, 2017. 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, 2017.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## 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.



July 1, 2018

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

In accordance with CFR 200.511, a summary schedule of prior audit findings is presented below:

**Finding 2016-001: Cash Management**

**Current Year Status:** Corrective action was taken and no further action required.