



JOURNALISM DEVELOPMENT NETWORK

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

**JOURNALISM DEVELOPMENT NETWORK, INC.**

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# **COMBINED FINANCIAL STATEMENTS**



**JOURNALISM DEVELOPMENT NETWORK**

**FOR THE YEARS ENDED  
DECEMBER 31, 2018 AND 2017**

**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, 2018 and 2017, 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.

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

## 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, 2018 and 2017, 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.

## 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-(18 - 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 September 24, 2019 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.



September 24, 2019

**JOURNALISM DEVELOPMENT NETWORK, INC.**  
**COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018 AND 2017**

**ASSETS**

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,926,133	\$ 991,691
Accounts receivable	187,716	130,844
Grants receivable (Notes 2 and 6)	4,620,523	1,659,314
Prepaid expenses	17,576	5,391
Fixed assets, net of accumulated depreciation of \$2,266 and \$1,816 for 2018 and 2017, respectively	<u>21,340</u>	<u>74</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 6,773,288</u></b>	<b><u>\$ 2,787,314</u></b>

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Accounts payable and accrued expenses	\$ 230,972	\$ 178,765
Due to sub-recipients	238,152	118,895
Refundable advance (Note 6)	<u>47,171</u>	<u>46,071</u>
Total liabilities	<u>516,295</u>	<u>343,731</u>

**NET ASSETS**

Without donor restrictions	377,565	403,649
With donor restrictions (Note 3)	<u>5,879,428</u>	<u>2,039,934</u>
Total net assets	<u>6,256,993</u>	<u>2,443,583</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 6,773,288</u></b>	<b><u>\$ 2,787,314</u></b>

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>REVENUE</b>			
Grants and contributions (Notes 5 and 6):			
U.S. Government	\$ 3,709,323	\$ -	\$ 3,709,323
Private foundations	-	6,479,236	6,479,236
Individuals	170,666	-	170,666
Consulting and other revenue	35,862	-	35,862
In-kind contributions from sub-recipients	-	36,530	36,530
Net assets released from donor restrictions (Note 3)	<u>2,566,936</u>	<u>(2,566,936)</u>	<u>-</u>
Total revenue	<u>6,482,787</u>	<u>3,948,830</u>	<u>10,431,617</u>
<b>EXPENSES</b>			
Program Services	5,669,126	-	5,669,126
Management and General	<u>842,993</u>	<u>-</u>	<u>842,993</u>
Total expenses	<u>6,512,119</u>	<u>-</u>	<u>6,512,119</u>
Changes in net assets before other items	(29,332)	3,948,830	3,919,498
<b>OTHER ITEMS</b>			
Funds returned to donor	-	(43,297)	(43,297)
Currency gain (loss)	<u>3,248</u>	<u>(66,039)</u>	<u>(62,791)</u>
Changes in net assets	(26,084)	3,839,494	3,813,410
Net assets at beginning of year	<u>403,649</u>	<u>2,039,934</u>	<u>2,443,583</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 377,565</u></b>	<b><u>\$ 5,879,428</u></b>	<b><u>\$ 6,256,993</u></b>

<b>2017</b>		
<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
\$ 2,068,693	\$ -	\$ 2,068,693
-	2,327,573	2,327,573
123,113	-	123,113
51,860	-	51,860
-	-	-
<u>1,617,987</u>	<u>(1,617,987)</u>	<u>-</u>
<u>3,861,653</u>	<u>709,586</u>	<u>4,571,239</u>
3,431,423	-	3,431,423
<u>312,732</u>	<u>-</u>	<u>312,732</u>
<u>3,744,155</u>	<u>-</u>	<u>3,744,155</u>
117,498	709,586	827,084
-	(200)	(200)
<u>2,241</u>	<u>94,144</u>	<u>96,385</u>
119,739	803,530	923,269
<u>283,910</u>	<u>1,236,404</u>	<u>1,520,314</u>
<u><b>\$ 403,649</b></u>	<u><b>\$ 2,039,934</b></u>	<u><b>\$ 2,443,583</b></u>

## JOURNALISM DEVELOPMENT NETWORK, INC.

COMBINED STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018			2017		
	Program Services	Management and General	Total Expenses	Program Services	Management and General	Total Expenses
Personnel costs	\$ 2,604,478	\$ 373,211	\$ 2,977,689	\$ 2,011,947	\$ 178,477	\$ 2,190,424
Contract services	439,976	102,944	542,920	238,325	44,800	283,125
Facilities and equipment	53,954	21,857	75,811	48,676	13,683	62,359
Donations	-	120,000	120,000			
Travel and meetings	754,247	118,102	872,349	463,936	27,569	491,505
Operations	287,443	87,502	374,945	232,462	37,159	269,621
Insurance expense	59,478	19,377	78,855	51,825	11,044	62,869
Program expenses and subgrants	1,469,550	-	1,469,550	384,252	-	384,252
<b>TOTAL</b>	<b>\$ 5,669,126</b>	<b>\$ 842,993</b>	<b>\$ 6,512,119</b>	<b>\$ 3,431,423</b>	<b>\$ 312,732</b>	<b>\$ 3,744,155</b>

See accompanying notes to combined financial statements.

**JOURNALISM DEVELOPMENT NETWORK, INC.**  
**COMBINED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 3,813,410	\$ 923,269
Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities:		
Depreciation	449	377
(Increase) decrease in:		
Accounts receivable	(56,872)	(101,562)
Grants receivable	(2,961,209)	(897,603)
Prepaid expenses	(12,185)	(4,360)
Advances to sub-recipients	-	19,943
Increase (decrease) in:		
Accounts payable and accrued expenses	52,207	92,719
Due to sub-recipients	119,257	99,572
Refundable advance	<u>1,100</u>	<u>(351,256)</u>
Net cash provided (used) by operating activities	<u>956,157</u>	<u>(218,901)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets	<u>(21,715)</u>	<u>-</u>
Net cash used by investing activities	<u>(21,715)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	934,442	(218,901)
Cash and cash equivalents at beginning of year	<u>991,691</u>	<u>1,210,592</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 1,926,133</u></b>	<b><u>\$ 991,691</u></b>

## JOURNALISM DEVELOPMENT NETWORK, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

#### 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 for Not-for-Profit Entities*. The ASU was adopted for the year ended December 31, 2018, and applied retrospectively.

##### 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 \$955,000 and \$183,000, 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, 2018 and 2017. 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.

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

Fixed assets (continued) -

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.

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, 2018 and 2017, 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 -

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

- **Net Assets Without Donor Restrictions** - net assets without donor restrictions are available for the general operations of JDN and are not subject to donor restrictions.
- **Net Assets With Donor Restrictions** – net assets with donor restrictions include contributions and grants restricted by donors and are reported as increases in net assets with donor restrictions during the reporting period in which JDN was notified of such contributions or grants by the donors. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the accompanying Statements of Activities and Changes in Net Assets.

Grants and contributions -

Contributions and grants, whether received with or without donor restrictions are recorded as revenue in the year notification is received from the donor. 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 or the satisfaction (passage) of a time restriction. Contributions and grants for which restrictions have not been met are shown as net assets with donor restrictions in the accompanying Statements of Activities and Changes in Net Assets.

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

Grants and contributions (continued) -

Awards received directly from the U.S. Government (or pass through entities) are treated as exchange transactions and revenue is recognized as support without donor restrictions 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.

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.

Reclassification -

Certain amounts in the prior year's combined financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

New accounting pronouncements (not yet adopted) -

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 June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which is intended to clarify and improve current guidance about whether a transfer of assets is an exchange transaction or a contribution. The amendments in this ASU provide a more robust framework to determine when a transaction should be accounted for as a contribution under Subtopic 958-605 or as an exchange transaction accounted for under other guidance (for example, Topic 606).

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

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

New accounting pronouncements (not yet adopted) (Continued) -

The amendments also provide additional guidance about how to determine whether a contribution is conditional or unconditional. The amendments in this ASU could result in more grants and contracts being accounted for as contributions than under previous GAAP. The ASU recommends application on a modified prospective basis; however, retrospective application is permitted. JDN has not yet decided on a transition method. The ASU is effective for fiscal years beginning after December 15, 2018.

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.

**2. GRANTS RECEIVABLE**

Grants receivable as of December 31, 2018 and 2017, respectively, are as follows:

	<u>2018</u>	<u>2017</u>
Open Society Foundations - Central Asia (3)	\$ 80,000	\$ -
Sigrid Rausing Trust (2)	202,475	392,926
Bay and Paul Foundation	-	25,000
CIPE	23,230	-
SIDA	2,296,233	-
Danwatch IJE4U	11,420	-
Omidyar Network	400,000	-
FCO (British)	-	493,771
FCO 2 (British)	1,005,871	-
USDoS Global	262,099	-
USDoS Montenegro	7,629	-
USDoS RRIR	46,137	13,844
USDoS Russia	26,543	9,578
ICFJ (RIJN Program)	-	71,797
Swiss Government (Romania)	178,819	387,745
Google - DNI (Romania)	<u>80,067</u>	<u>264,653</u>
<b>TOTAL GRANTS RECEIVABLE</b>	<b><u>\$ 4,620,523</u></b>	<b><u>\$ 1,659,314</u></b>

Other than the SIDA receivable, all grants receivable are expected to be collected within one year from December 31, 2018 and 2017, respectively. The SIDA receivable is expected to be collected evenly over the next three fiscal years (2019, 2020 and 2021).

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**3. NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions consisted of the following at December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
United States Embassy - Tajikistan	\$ 12,994	\$ 12,994
Open Society Foundations - Regional	300,455	243,980
Open Society Foundations - Factful	3,450	-
Open Society Foundations - Central Asia (3)	143,576	-
Danwatch ICE4U	7,871	-
SIDA	2,957,572	-
Knight Foundation	1,276	1,276
Google	67,593	75,460
Swiss Government (Romania)	77,731	261,402
Google DNI (Romania)	164,525	325,308
Crystal	-	52,529
FCO	-	394,755
FCO (2)	808,770	-
RICO	-	30,780
Skoll	36,439	49,654
Omidyar Network	796,622	-
Rockefeller Brothers Foundation	100,000	-
Sigrid Rausing Trust (2)	<u>400,554</u>	<u>591,796</u>
<b>TOTAL NET ASSETS WITH DONOR RESTRICTIONS</b>	<b><u>\$ 5,879,428</u></b>	<b><u>\$ 2,039,934</u></b>

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:

	<u>2018</u>	<u>2017</u>
Open Society Foundations - Safety Report	\$ -	\$ 39,950
Open Society Foundations - Regional	386,304	449,536
Open Society Foundations - Factful	696,451	-
Open Society Foundations - Central Asia (2)	-	275,113
Open Society Foundations - Central Asia (3)	16,424	-
Danwatch ICE4U	9,058	-
SIDA	5,227	-
Google	7,867	2,963
Google DNI (Romania)	151,048	144,834
Swiss Grant (Romania)	163,896	193,741
Crystal	9,232	47,471
FCO	394,755	250,361
FCO (2)	455,941	-
RICO	30,780	72,220
Skoll	13,215	48,591
Omidyar Network	3,378	-
Sigrid Rausing Trust	-	88,286
Sigrid Rausing Trust (2)	191,243	121
CIPE	26,117	-
Khadija	6,000	-
American Council	<u>-</u>	<u>4,800</u>
<b>TOTAL NET ASSETS RELEASED FROM DONOR RESTRICTIONS</b>	<b><u>\$ 2,566,936</u></b>	<b><u>\$ 1,617,987</u></b>

**JOURNALISM DEVELOPMENT NETWORK, INC.**

**NOTES TO COMBINED FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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 2018. 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.

**5. 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, 2018 and 2017, respectively, is as follows:

	<u>2018</u>	<u>2017</u>
Financial Assets as of December 31:		
Cash and cash equivalents	\$ 1,926,133	\$ 991,691
Accounts receivable	187,716	130,844
Grants receivable	4,620,523	1,659,314
Financial Assets not available to meet cash needs:		
Funds with donor restrictions	<u>(5,879,428)</u>	<u>(2,039,934)</u>
<b>FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR GENERAL EXPENDITURES WITHIN ONE YEAR</b>	<b>\$ <u>854,944</u></b>	<b>\$ <u>741,915</u></b>

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

As of December 31, 2018 and 2017, 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 from the International Center for Journalists (a pass-through of a United States Agency for International Development award). The original amount of the grant was \$2,144,813 and the original period of the award was from March 15, 2011 to May 14, 2014. There have been several modifications to the award and the total amount of the award is now \$8,754,880 with a revised completion date of March 14, 2021.

## JOURNALISM DEVELOPMENT NETWORK, INC.

### NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017

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

JDN recognized revenue under the ICFJ award in the amounts of \$899,749 and \$946,093, respectively. As of December 31, 2018, JDN had recorded a refundable advance in the amount of \$5,895. As of December 31, 2017, JDN had recorded a grant receivable of \$71,797.

- 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 and 2018 fiscal years, extensions were issued and the completion date is now September 30, 2019. In addition, the grant award amount has been increased to \$2,220,637. For the years ended December 31, 2018 and 2017 JDN recognized revenue under the USDoS award in the amounts of \$845,718 and \$377,607, respectively. As of December 31, 2018 and 2017, JDN had recorded a grant receivable in the amount of \$26,543 and \$9,578, respectively.
- 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 2018 fiscal year, an extension was issued and the completion date is now January 31, 2020. In addition, the grant award amount has been increased to \$5,540,739. During the years ended December 31, 2018 and 2017, JDN recognized revenue under the USDoS award in the amounts of \$1,363,147 and \$553,841, respectively. As of December 31, 2018, JDN had recorded a grant receivable in the amount of \$262,099. As of December 31, 2017, JDN had recorded a refundable advance in the amount of \$21,390.
- 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. During the 2017 and 2018 fiscal years, extensions were issued and the completion date is now June 30, 2019. In addition, the grant award amount has been increased to \$284,854. During the years ended December 31, 2018 and 2017, JDN recognized revenue under the ICFJ award in the amounts of \$31,116 and \$155,809, respectively. As of December 31, 2018 and 2017, JDN had recorded a refundable advance in the amounts of \$10,423 and \$22,374, respectively.
- 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 the years ended December 31, 2018 and 2017, JDN recognized revenue under the grant in the amounts of \$358,797 and 13,844, respectively. As of December 31, 2018 and 2017, JDN had recorded a grant receivable in the amount of \$46,137 and \$13,844, respectively.
- During the 2018 fiscal year, JDN was awarded a grant in the amount of \$493,825 from the United States Department of State (USDoS) for a program in Montenegro. The period of the award is from June 5, 2018 to June 30, 2020. During the year ended December 31, 2018, JDN recognized revenue under the grant in the amount of \$63,161. As of December 31, 2018 JDN had recorded a grant receivable in the amount of \$7,629.
- During the 2018 fiscal year, JDN was awarded \$23,022 from the United States Department of State (USDoS) for a Tech Camp in Romania. The grant period was to be from January 29, 2018 to September 30, 2018. During the year ended December 31, 2018, JDN recognized revenue under the USDoS award in the amount of \$23,022. There was no refundable advance or amount due from USDoS at December 31, 2018.

## **JOURNALISM DEVELOPMENT NETWORK, INC.**

### **NOTES TO COMBINED FINANCIAL STATEMENTS DECEMBER 31, 2018 AND 2017**

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

- During 2018, JDN was awarded \$136,000 from the National Endowment for Democracy (a pass-through of a United States Department of State award) for a program in Central Asia. The grant period was from October 1, 2018 to September 30, 2019. During the year ended December 31, 2018, JDN recognized revenue under the NED award in the amount of \$14,647. As of December 31, 2018, JDN had recorded a refundable advance from NED in the amount of \$30,853.
- During 2018, JDN was awarded \$109,966 from the National Endowment for Democracy (a pass-through of a United States Department of State award) for a program to improve video content and management with respect to exposing transnational organized crime and corruption. The grant period was from July 1, 2018 to December 31, 2018. During the year ended December 31, 2018, JDN recognized revenue under the NED award in the amount of \$109,966. There was no refundable advance or amount due from NED at December 31, 2018.
- During 2015, JDN was awarded \$50,000 from the National Endowment for Democracy (a pass-through of a United States Department of State award) for a program in Latin America. The grant period was from October 1, 2015 to June 30, 2017. During the year ended December 31, 2017, JDN recognized revenue under the NED award in the amount of \$19,059. There was no refundable advance or amount due from NED at December 31, 2017.
- 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.

#### **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 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 September 24, 2019, 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, 2018

<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>2018 Expenditures</u>
USAID - Regional Investigative Journalism Network	International Center for Journalists	AID-OAA-A-11-00005	98.001	\$ <u>          -</u>	\$ <u>  899,750</u>
<b>Subtotal CFDA 98.001</b>				<u>          -</u>	<u>  899,750</u>
Department of State - Global Anti-Corruption Consortium	N/A	N/A	19.345	528,087	1,363,147
Department of State - Supporting Civil Society in Montenegro	N/A	N/A	19.345	28,618	63,161
Department of State - Rebooting Regional Investigative Journalism	N/A	N/A	19.345	-	358,797
Department of State - Balancing the Russian Media Sphere	N/A	N/A	19.345	-	845,718
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	-	31,115
Department of State - Promoting Investigative Reporting	National Endowment for Democracy	N/A	19.345	-	14,647
Department of State - Development of Video Content Management System	National Endowment for Democracy	N/A	19.345	<u>  106,516</u>	<u>  109,966</u>
<b>Subtotal CFDA 19.345 - International Programs to Support Democracy</b>				<u>  663,221</u>	<u>  2,786,551</u>
Department of State - Training in Romania	N/A	N/A	19.040	<u>          -</u>	<u>  23,022</u>
<b>Subtotal CFDA 19.040</b>				<u>          -</u>	<u>  23,022</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b>\$ <u>  663,221</u></b>	<b>\$ <u>  3,709,323</u></b>

JOURNALISM DEVELOPMENT NETWORK, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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, 2018. 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, 2018

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	\$ 2,786,551

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, 2018**

**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, 2018, 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 September 24, 2019.

#### **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 CPAMERICA INTERNATIONAL, AN AFFILIATE OF CROWE GLOBAL  
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".

September 24, 2019



## 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, 2018. 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, 2018.

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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.



September 24, 2019