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**HONESTREPORTING.COM, INC.**  
(a nonprofit organization)

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**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**



**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**

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## **INDEPENDENT AUDITORS' REPORT**

To The Board of Trustees  
**HonestReporting.com, Inc.**

### **Opinion**

We have audited the accompanying financial statements of HonestReporting.com, Inc. (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HonestReporting.com, Inc. as of September 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

MEMBER AICPA, NYSSCPA


## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of HonestReporting.com, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about of HonestReporting.com, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

  
**BERNATH & ROSENBERG, P.C.**  
Certified Public Accountants

Airmont, New York  
February 1, 2023

MEMBER AICPA, NYSSCPA

**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022 AND 2021**

**ASSETS**

	<u>2022</u>	<u>2021</u>
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 870,575	\$ 2,069,012
Investments	1,158,413	-
Prepaid Expenses	2,063	2,063
Note Receivable – Current Portion	<u>10,000</u>	<u>9,996</u>
Total Current Assets	2,041,051	2,081,071
<b>Other Assets:</b>		
Note Receivable – Less Current Portion	<u>-</u>	<u>40,837</u>
Total Other Assets	<u>-</u>	<u>40,837</u>
<b>TOTAL ASSETS</b>	<u>\$ 2,041,051</u>	<u>\$ 2,121,908</u>

**LIABILITIES AND NET ASSETS**

<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable and Accrued Expenses	\$ 132,490	\$ 105,429
Deferred Revenue	<u>5,140</u>	<u>48,698</u>
Total Current Liabilities	<u>137,630</u>	<u>154,127</u>
<b>Total Liabilities:</b>	137,630	154,127
<b>Net Assets (without Donor Restrictions)</b>	<u>1,903,421</u>	<u>1,967,781</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 2,041,051</u>	<u>\$ 2,121,908</u>

*See Independent Auditors' Report and Accompanying Notes to the Financial Statements*

**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	2022	2021
<b>Changes in Net Assets without Donor Restrictions:</b>		
<b>Revenue and Support:</b>		
Contributions	\$ 2,037,144	\$ 3,239,813
Missions and Events	161,925	36,830
Other Income (Loss)	(3,399)	259
Total Revenue and Support	2,195,670	3,276,902
<b>Expenses:</b>		
Program Services	1,860,315	1,638,477
Management and General	150,289	127,720
Fundraising	249,426	228,367
Total Expenses	2,260,030	1,994,564
Change in Net Assets without Donor Restrictions	(64,360)	1,282,338
<b>Net Assets (without Donor Restrictions) - Beginning of Year</b>	<b>1,967,781</b>	<b>685,443</b>
<b>Net Assets (without Donor Restrictions) - End of Year</b>	<b>\$ 1,903,421</b>	<b>\$ 1,967,781</b>

*See Independent Auditors' Report and Accompanying Notes to the Financial Statements*

**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2022**

	Program <u>Services</u>	Management and General	<u>Fundraising</u>	<u>Total</u>
Grants	\$1,594,426	\$ -	\$ -	\$1,594,426
Missions and Events	106,532	-	-	106,532
Salaries	8,615	34,778	8,615	52,008
Payroll Taxes	659	3,190	659	4,508
Employee Benefits	-	4,375	-	4,375
Consulting Fees	16,380	33,339	204,884	254,603
Accounting and Legal Fees	-	21,355	-	21,355
Communications Expense	-	2,779	-	2,779
Postage and Shipping	-	2,954	-	2,954
Travel	11,016	14,688	11,016	36,720
Rent	-	9,847	-	9,847
Website Maintenance	64,337	-	-	64,337
Office	-	6,991	-	6,991
Fundraising	-	-	92	92
Bank Fees	-	8,057	-	8,057
Credit Card Service Fees	-	-	17,582	17,582
Insurance	-	4,294	-	4,294
Social Media Promotion	8,426	-	-	8,426
Research	27,136	-	-	27,136
Books and Literature	2,487	-	-	2,487
Conferences and Meetings	4,917	-	-	4,917
Media Reporting Assistance	8,806	-	-	8,806
Filing Fees	-	2,965	-	2,965
Annual Report	6,578	-	6,578	13,156
UBT Tax	-	677	-	677
<b>Total Functional Expenses</b>	<u>\$1,860,315</u>	<u>\$ 150,289</u>	<u>\$ 249,426</u>	<u>\$2,260,030</u>

*See Independent Auditors' Report and Accompanying Notes to the Financial Statements*

**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Program <u>Services</u>	Management <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Grants	\$1,500,000	\$ -	\$ -	\$1,500,000
Missions and Events	7,965	-	-	7,965
Salaries	-	26,114	-	26,114
Payroll Taxes	-	2,535	-	2,535
Employee Benefits	-	4,177	-	4,177
Consulting Fees	-	48,046	188,576	236,622
Accounting and Legal Fees	-	10,625	-	10,625
Communications Expense	150	3,118	-	3,268
Postage and Shipping	-	4,865	-	4,865
Travel	538	718	538	1,794
Rent	-	8,905	-	8,905
Website Maintenance	64,681	-	-	64,681
Office	-	5,015	-	5,015
Fundraising	-	-	3,750	3,750
Bank Fees	-	6,657	-	6,657
Credit Card Service Fees	-	-	26,249	26,249
Insurance	-	4,188	-	4,188
Social Media Promotion	37,873	-	-	37,873
Public Relations	7,734	-	-	7,734
Books and Literature	2,666	-	-	2,666
Conferences and Meetings	3,546	-	-	3,546
Media Reporting Assistance	4,069	-	-	4,069
Filing Fees	-	4,653	-	4,653
Annual Report	9,255	-	9,254	18,509
UBT Tax	-	(1,896)	-	(1,896)
<b>Total Functional Expenses</b>	<u>\$1,638,477</u>	<u>\$ 127,720</u>	<u>\$ 228,367</u>	<u>\$1,994,564</u>

*See Independent Auditors' Report and Accompanying Notes to the Financial Statements*



**HONESTREPORTING.COM, INC.**  
**(a nonprofit organization)**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED SEPTEMBER 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>Cash Flows from Operating Activities:</b>		
Change in Net Assets without Donor Restrictions	\$ (64,360)	\$ 1,282,338
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Changes in Operating Assets and Liabilities:		
Unrealized Loss on Investment	9,931	-
Realized Gain on Investment	(246)	-
Investment Received as Donation	(20,397)	-
Accounts Receivable	-	154
Notes Receivable	40,833	9,167
Accounts Payable and Accrued Expenses	27,061	(7,457)
Deferred Revenue	<u>(43,558)</u>	<u>48,698</u>
Total Adjustments	<u>13,624</u>	<u>50,562</u>
Net Cash (Used in) Provided by Operating Activities	(50,736)	1,332,900
<b>Cash Flows from Investing Activities:</b>		
Purchase of Investment	(1,191,080)	-
Proceeds from Sale of Investment	<u>43,379</u>	<u>-</u>
Net Cash (Used in) Investing Activities	<u>(1,147,701)</u>	<u>-</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(1,198,437)	1,332,900
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>2,069,012</u>	<u>736,112</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 870,575</u>	<u>\$ 2,069,012</u>

*See Independent Auditors' Report and Accompanying Notes to the Financial Statements*

**HONESTREPORTING.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 1 - NATURE OF ORGANIZATION**

HonestReporting.com, Inc. (the “Organization”) was incorporated in New York in 2001 as a nonprofit organization. The Organization was formed to raise funds to monitor and promote objective media reporting on events related to the Middle East. The Organization’s primary support comes from donor contributions. The Organization provides its grants to support the operations of an independently governed Israeli organization whose mission and operations parallel those of the Organization.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (“GAAP”).

**Classes of Net Assets**

The accompanying financial statement has been prepared in conformity with the disclosure and display requirements of Financial Accounting Standards Board (FASB) ASC 958, Not-For-Profit Entities. ASC 958 requires that resources be classified for reporting purposes into two net asset categories as net assets with donor restrictions and net assets without donor restrictions according to the existence or absence of donor-imposed restrictions.

Net assets without donor restrictions represent revenues and expenses related to the operations and management of the Organization’s primary programs and supporting services. If funds are raised and set aside by the board for future use, these are considered without donor restrictions. Contributions without donor restrictions that are expended for their restricted purpose in the same reporting period as received are recorded as without donor restrictions.

Net assets with donor restrictions are assets subject to donor imposed stipulations that they be maintained permanently, or temporarily by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any investments for general or specific purposes. As of September 30, 2022 and 2021, the Organization had no net assets with donor restrictions.

**Cash**

Cash consists of demand deposit accounts held at major financial institutions and may at times exceed the insurable amount. Management believes it mitigates its risk by investing in major financial institutions and in funds that are currently U.S. federal government insured. Recoverability of an investment is dependent upon the performance of the issuer.

**HONESTREPORTING.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The Organization also holds cash with financial institutions domiciled outside of the United States. These account balances are not subject to FDIC protection. As of September 30, 2022 and 2021, approximately \$145,000 and \$142,000 were held in accounts domiciled outside of the United States.

**Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all short term investments purchased with a maturity of three months or less when purchased to be cash equivalents.

**Investments**

Investments with readily determinable fair values are measured at fair value in the statement of financial position. Interest, dividends, realized and unrealized gains and losses on investments, net of fees, are recorded as Other Income (Loss), in the statement of activities. Realized gains and losses are determined on a specific identification basis. Realized and unrealized gains and losses, interest and dividends on investments are recorded as net assets without donor restrictions unless such amounts are restricted by the donor or by law. Investments received as donations are recorded at the estimated fair value at the date of the donation.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to use judgment in the application of accounting policies including making estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during a reporting period. The most significant assumptions and estimates relate to depreciable lives and revenue recognition. Application of these assumptions requires the exercise of judgment as to future uncertainties and, as a result, actual results could differ from those estimates.

**Revenue Recognition**

We have analyzed the provisions of the FASB's ASC Topic 606, Revenue from Contracts with customers, and have concluded that no changes are necessary to conform with the new standard. The Organization recognizes contribution income upon receipt and not based on pledges to contribute, unless a donor has a contractual obligation. As of September 30, 2022 and 2021, there were no contractual pledges receivables. The Organization recognizes revenue when earned. Mission fees and payments received in advance are deferred to the applicable period in which the related services are preformed, or expenditures are incurred.

**HONESTREPORTING.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions**

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated services are recognized as contributions if the services (1) create or enhance non financing assets or (2) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers provide services that are not recognized as contributions in the financial statement, since the recognition criteria were not met.

For the years ending September 30, 2022 and 2021, there were no donated services contributions.

**Promises to Give**

Unconditional promises to give are recognized in the period received both as revenues or gains, and as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

**Income Taxes**

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. The Organization has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

**Functional Allocation of Expenses**

The costs of providing various program and other activities have been summarized on a functional basis in the Statement of Functional Expenses.

**Advertising and Promotion**

Advertising and promotion costs are expensed as incurred. For the years ending September 30, 2022 and 2021, advertising and promotion costs were \$8,426 and \$37,873, respectively.

**HONESTREPORTING.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 3 - NOTE RECEIVABLE**

In August 2020, the Organization issued a guaranteed note in the amount of \$60,000 to its consultant due October 31, 2023. The note bears interest at 1.69% per annum. The note is amortized by withholding \$833 per month from consulting payments, commencing November 30, 2020 for thirty-six months. This is equivalent to 50% note amortization. At maturity, the remaining unpaid principal amount of the note, together with all accrued interest will be due. The borrower may prepay this note in whole or in part at any time. In May 2022, in lieu of severance, all but \$10,000 of the remaining note balance was forgiven and recorded as a consultant fee. The remaining \$10,000 of the note was forgiven subsequent to year end in October 2022.

**NOTE 4 - FAIR VALUE HIERARCHY**

Accounting guidance on fair value measurements for certain financial assets and liabilities requires that assets and liabilities carried at fair value be classified in one of the following three categories:

Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 – Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 – Valuation based on inputs that are unobservable and significant to the overall fair value measurement.

Under the fair value accounting guidance hierarchy an entity is required to maximize the use of quoted market prices and minimize the use of unobservable inputs. The following table sets forth the Organization's investment securities classified as available for sale, which are carried at fair value, as of September 30, 2022 that are measured on a recurring basis during the year, segregated by level with the fair value hierarchy:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Total at Cost	\$ 1,168,344	\$ -	\$ -
Unrealized (Loss)	(9,931)	-	-
Total at Fair Market Value	<u>\$ 1,158,413</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 5 - DEFERRED REVENUE**

Deferred revenue consists of mission fees which were received in advance of the activity that took place subsequent to the reporting period. As of September 30, 2022 and 2021, the Organization had \$5,140 and \$48,698, respectively, of deferred revenue.

*See Independent Auditors' Report*

**HONESTREPORTING.COM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022 AND 2021**

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

The Organization is subject to legal proceedings, claims and litigation arising in the ordinary course of business. As of September 30, 2022 and 2021, there were no legal proceedings.

In June 2018, the Organization entered into a three-year lease agreement for its office which requires monthly payments in the amount of \$703, increasing annually by 2.5%. In July 2021, the lease was extended until July 2023 requiring monthly payments in the amount of \$757, increasing annually by 2.5%.

Future minimum payments as of September 30, 2022, for the year ended September 30, 2023, are \$7,765.

**NOTE 7 - FUNCTIONAL ALLOCATION OF EXPENSES**

The financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include; salaries, payroll taxes, consulting fees, travel, and annual report; which are allocated based on their content as well as activities.

**NOTE 8 - LIQUIDITY AND AVAILABILITY**

The Organization regularly monitors the availability of resources required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. As of September 30, 2022 and 2021, the Organization had \$870,575 and \$2,069,012 in cash and cash equivalents, respectively, that could readily be available within one year of the balance sheet date to meet operating expenditures.

**NOTE 9 - CONCENTRATIONS**

For the year ended September 30, 2022, one contributor accounted for approximately 12% of total contributions. For the year ended September 30, 2021, one contributor accounted for approximately 35% of total contributions. This contribution effectively created a surplus balance that was not needed to fund operations for the year ended September 30, 2021.

**NOTE 10 - SUBSEQUENT EVENTS**

The Organization has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through February 1, 2023 the date which the financial statements were available to be issued.