

THE DAILY CALLER NEWS FOUNDATION

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2015

THE DAILY CALLER NEWS FOUNDATION
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Daily Caller News Foundation
Washington, DC

We have audited the accompanying financial statements of the Daily Caller News Foundation (the Organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of The Daily Caller News Foundation as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedule of functional expenses on page 11 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the

underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

A handwritten signature in black ink, appearing to be 'ZV' followed by a long horizontal stroke.

Verma CPA and Associates

Leesburg, VA

September 26, 2016

THE DAILY CALLER NEWS FOUNDATION
STATEMENT OF FINANCIAL POSITION
As of December 31, 2015

ASSETS	
Cash	\$ 1,415,263
Contributions receivable	780,688
Prepaid expenses	<u>11,555</u>
TOTAL ASSETS	<u><u>\$ 2,207,506</u></u>
 LIABILITIES AND NET ASSETS	
Liabilities:	
Accounts payable and accrued expenses	\$ 25,212
Accrued payroll	24,232
Accrued interest payable	1,953
Loans from related party	<u>88,242</u>
Total Liabilities	<u>139,639</u>
 Net Assets	
Unrestricted	1,571,027
Temporarily restricted	<u>496,840</u>
Total Net Assets	<u>2,067,867</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u><u>\$ 2,207,506</u></u>

See accompanying Notes to Financial Statements.

THE DAILY CALLER NEWS FOUNDATION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUE			
Grants and contributions	\$ 2,034,490	\$ 969,190	\$ 3,003,680
Interest income	5,697	-	5,697
Net assets released from restrictions	641,533	(641,533)	-
	2,681,720	327,657	3,009,377
 EXPENSES			
Program services:			
Journalist fellowship training	301,739	-	301,739
Investigative reporting	264,477	-	264,477
Education	115,233	-	115,233
Energy team (coal reporting)	83,013	-	83,013
Total program services	764,462	-	764,462
			-
Supporting services			
Fundraising	49,484	-	49,484
Management and general	349,317	-	349,317
Total supporting services	398,801	-	398,801
	1,163,263	-	1,163,263
 CHANGE IN NET ASSETS	1,518,457	327,657	1,846,114
 NET ASSETS AT BEGINNING OF YEAR	52,570	169,183	221,753
 NET ASSETS AT END OF YEAR	\$ 1,571,027	\$ 496,840	\$ 2,067,867

See accompanying Notes to Financial Statements.

THE DAILY CALLER NEWS FOUNDATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015
Increase (Decrease) in Cash

OPERATING ACTIVITIES	
Change in net assets	\$ 1,846,114
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Increase in contributions receivable	(780,688)
Increase in prepaid expenses	(11,555)
Increase in accounts payable and accrued expenses	25,212
Increase in accrued payroll	20,299
Increase in accrued interest payable	1,953
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,101,335</u>
FINANCING ACTIVITIES	
Proceeds from loan	36,363
Payments of loans	(44,121)
NET CASH USED IN FINANCING ACTIVITIES	<u>(7,758)</u>
NET INCREASE IN CASH	1,093,577
CASH AT THE BEGINNING OF YEAR	<u>321,686</u>
CASH AT THE END OF YEAR	<u><u>\$ 1,415,263</u></u>

See accompanying Notes to Financial Statements.

THE DAILY CALLER NEWS FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2015

NOTE 1 – DESCRIPTION OF ORGANIZATION

The Daily Caller News Foundation (the Organization) is a tax-exempt public charity organization incorporated in the state of Delaware in July 2011. The Organization's mission is to provide original investigative reporting from a team of professional reporters that operates for the public benefit. It is also formed to educate up-and-coming reporters and editors, to carry out investigative reporting, and to perform deep policy reporting. The Organization strives to improve the quality of news provided to the public in a variety of ways, including the publishing of more than twenty news stories per day for free public consumption and redistribution and by educating fellows of the Organization so that they will make a long-lasting difference in the quality of news reporting. These activities are funded primarily through grants and contributions.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Organization prepares its financial statements in accordance with the generally accepted accounting principles (GAAP) promulgated in the United States of America. The significant accounting and reporting policies used by the Organization are described subsequently to enhance the usefulness and understandability of the financial statements.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. On an ongoing basis, the Organization's management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The Organization's management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Classification of Net Assets

The Organization's net assets are classified and reported as follows:

Unrestricted Net Assets – Unrestricted net assets represent the portion of net assets that are not subject to donor-imposed restrictions, which are used for the Organization's general operations. These also include amounts that have been designated by the Board of Directors for a specific purpose.

Temporarily Restricted Net Assets – Temporarily restricted net assets represent the portion of net assets subject to donor-imposed restrictions that may, or will, be met either by the Organization's actions and/or by the passage of time.

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Notes to Financial Statements For the Year Ended December 31, 2015

Permanently Restricted Net Assets – Permanently restricted net assets represent the portion of net assets subject to donor-imposed stipulations that the contribution be maintained by the Organization in perpetuity. The donors of these assets permit the Organization to use all or part of the income earned on related investments for general operations or for specific purposes stated by the donors. There were no permanently restricted net assets as of December 31, 2015.

Cash Equivalents

Cash equivalents are short term, interest bearing, highly liquid investments with original maturities of three months or less, unless the investments are held for meeting restrictions of a capital or endowment nature. There were no cash equivalents as of December 31, 2015.

Contributions Receivable

Contributions receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. The allowance for uncollectible contributions receivable is determined based on management's evaluation of the collectability of individual promises. Promises that remain uncollected more than one year after their due dates are written off unless the donors indicate that payment is merely postponed.

Property and Equipment and Related Depreciation

Property and equipment are recorded at cost when purchased, and at estimated fair value when acquired by contribution. Property and equipment are capitalized if it has a cost of \$1,000 or more and a useful life when acquired of more than one year. Depreciation is recorded on a straight-line basis over the useful lives of the assets. Expenditures for major repairs and improvements are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred.

There were no property and equipment purchased nor acquired by contribution as of December 31, 2015. All property and equipment used by the organization are provided by a related party as a part of occupancy.

THE DAILY CALLER NEWS FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2015

Contributions

Contributions, including in-kind services, are recognized when unconditional promises to give are made. Conditional contributions are recognized as revenue when donor-imposed conditions are substantially met. Revenue recognized on contributions that have been committed to the Organization but have not been received is reflected as contribution receivable in the accompanying statement of financial position.

Contributions are reported as increases in unrestricted net assets unless use of the contributed assets is specifically restricted by the donor. Contributions received having donor-imposed restrictions as to their use, or those that are intended to fund future periods, are reported as increases in temporarily restricted net asset. Donor restrictions are considered released, and net assets are reclassified to unrestricted net assets, when those restrictions are met and/or the stipulated time periods have elapsed. These amounts are shown as net assets released from restrictions in the accompanying statement of activities.

Contributed Services

In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic Not-for-Profit Entities, only the value of contributed services that are considered specialized and can be estimated are recognized in the financial statements. The Organization benefits from personal services provided by individuals in the journalism profession. The value of these contributed services received in 2015 does not qualify for inclusion in the financial statements and, therefore, has not been recorded.

Expense Recognition and Allocation

The costs of providing the Organization's programs and other activities have been summarized on a functional basis in the accompanying statement of activities. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited based on relevant factors. While such estimates are not conducive to precise determination, and actual results could differ from these estimates, management believes the resulting allocations are reasonable.

General and administrative expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years.

THE DAILY CALLER NEWS FOUNDATION

Notes to Financial Statements For the Year Ended December 31, 2015

Income Taxes

The Organization is exempt from federal taxes on income under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income. For the year ended December 31, 2015, no provision for income taxes was required, as the Organization had no taxable net unrelated business income.

The Organization performed an evaluation of its uncertain tax positions for the year ended December 31, 2015, and determined that there were no matters that would require recognition in the financial statements or that may have any effect on its tax-exempt status. As of December 31, 2015, the statute of limitations for tax years 2012 through 2014 remains open with the U.S. federal jurisdiction or the various states and local jurisdictions in which the Organization files tax returns. It is the Organization's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2015, the Organization had no accruals for interest and/or penalties.

NOTE 3 – CONTRIBUTIONS RECEIVABLE

Contributions receivable consists of amounts due from foundations and corporations. Contributions receivable totaled \$780,688 and are fully collectible within one year.

As of December 31, 2015, approximately 86% of the contributions receivable was due from two donors.

NOTE 3 – CONCENTRATIONS OF RISK

The Organization maintain its cash with a commercial financial institution, which aggregate balance, at times, may exceed the Federal Deposit Insurance Corporation (FDIC) insured limit of \$250,000 per depositor per institution. As of December 31, 2015, the Organization had \$1,416,302 of demand deposit, which exceeded the maximum limit insured by the FDIC by \$1,166,302.

Approximately 83%, of the Organization's 2015 contributions in 2015 came from four donors. One donor's contributions represented approximately 43% of the Organization's total revenue for the year ended December 31, 2015.

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Notes to Financial Statements For the Year Ended December 31, 2015

NOTE 4 – RELATED PARTY TRANSACTIONS

Loans from Related Party

The Organization had obtained two loans from a related party, The Daily Caller, which is owned by the Organization's two board members.

The first loan in the amount of \$96,000 with interest rate of 4.25% per annum was obtained on December 31, 2014. The unpaid principal and accrued interest are payable in monthly installments of \$8,185 beginning August 1, 2015, and continuing until July 1, 2016, at which time the remaining unpaid principal and interest shall be due in full. As of December 31, 2015, the outstanding balance of the loan was \$64,000, which is included in due to related party in the accompanying statement of financial position. An interest expense amounting to \$1,417 was incurred during 2015 and remained outstanding as of December 31, 2015.

The second loan was obtained on July 1, 2015 in relation to the unpaid rent covering periods from January 2015 through May 2015. This loan amounted to \$36,363 with interest rate of 4.25% per annum. The unpaid principal and accrued interest are payable in monthly installments of \$3,100 beginning August 1, 2015, and continuing until July 1, 2016, at which time the remaining unpaid principal and interest shall be due in full. As of December 31, 2015, the outstanding balance of the loan was \$24,242 and is part of the due to related party in the accompanying statement of financial position. An interest expense amounting to \$533 was incurred during 2015 and remained outstanding as of December 31, 2015.

Both loans were fully paid in July 2016.

Rent

The Organization had rented a portion of the office space from The Daily Caller beginning January 1, 2015 under a Cost Sharing Agreement. The rent payment is based on the square footage assigned to the Organization. There were no commitments in terms of future occupancy. Total rent expense was \$87,270 for the year ended December 31, 2015.

NOTE 5- SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2016, the date the financial statements were available to be issued. There were no subsequent events identified that require recognition or disclosure in the financial statements.

THE DAILY CALLER NEWS FOUNDATION
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2015

	Program Services	Fundraising	Management and General	Total
Salaries	\$ 663,530	\$ 45,295	\$ 100,437	\$ 809,262
Employee benefits	18,329	188	32,320	50,837
Payroll taxes	54,973	3,752	8,322	67,047
Total Salaries and Related Expenses	<u>736,832</u>	<u>49,235</u>	<u>141,079</u>	<u>927,146</u>
Rent	-	-	87,270	87,270
Professional and consulting fees	10,812	249	48,865	59,926
Dues and subscriptions	15,099	-	20,280	35,379
Travel and meetings	1,179	-	31,276	32,455
Printing and copying	400	-	2,692	3,092
Interest	-	-	1,953	1,953
Bank service fee	-	-	1,626	1,626
Other	140	-	14,276	14,416
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 764,462</u>	<u>\$ 49,484</u>	<u>\$ 349,317</u>	<u>\$ 1,163,263</u>