

**THE DAILY CALLER NEWS FOUNDATION**

**FINANCIAL STATEMENTS  
AND SUPPLEMENTAL INFORMATION**

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

**THE DAILY CALLER NEWS FOUNDATION**  
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**For the Year Ended December 31, 2017**

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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, 2017, 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, 2017, 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 12 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

Lansdowne, VA

August 30, 2018

**THE DAILY CALLER NEWS FOUNDATION**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2017**

|   |                     |
|---|---------------------|
| <b>ASSETS</b>                           |                     |
| Cash                                    | \$ 847,180          |
| Contributions receivable                | 440,500             |
| Unbilled Revenue                        | 1,278               |
| Receivable from related party           | 30,930              |
| Other receivables                       | 2,000               |
| Prepaid expenses                        | 2,869               |
|   | 1,324,757           |
| Total Current Assets                    | 1,324,757           |
| Fixed Assets                            | 9,271               |
|   | 9,271               |
| <b>TOTAL ASSETS</b>                     | <b>\$ 1,334,028</b> |
| <br><b>LIABILITIES AND NET ASSETS</b>   |                     |
| Accounts payable and accrued expenses   | \$ 83,377           |
| Accrued payroll                         | 44,851              |
| Accrued interest payable                | -                   |
|   | 128,228             |
| Total Liabilities                       | 128,228             |
| Net Assets                              |                     |
| Unrestricted                            | 940,755             |
| Temporarily restricted                  | 265,045             |
|   | 1,205,800           |
| Total Net Assets                        | 1,205,800           |
| <b>TOTAL LIABILITIES AND NET ASSETS</b> | <b>\$ 1,334,028</b> |

**THE DAILY CALLER NEWS FOUNDATION**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2017

|                                       | Unrestricted          | Temporarily<br>Restricted | Total                   |
|---------------------------------------|-----------------------|---------------------------|-------------------------|
| <b>REVENUE</b>                        |                       |                           |                         |
| Grants and contributions              | \$ 1,786,688          | \$ 769,502                | \$ 2,556,190            |
| Interest income                       | 3,657                 | -                         | 3,657                   |
| Net assets released from restrictions | 615,792               | (615,792)                 | -                       |
|                                       | <b>\$ 2,406,137</b>   | <b>\$ 153,710</b>         | <b>\$ 2,559,847</b>     |
| <br><b>EXPENSES</b>                   |                       |                           |                         |
| Program services:                     |                       |                           |                         |
| Journalist fellowship training        | \$ 823,895            | \$ -                      | \$ 823,895              |
| Investigative reporting               | 608,669               | -                         | 608,669                 |
| Education                             | 75,253                | -                         | 75,253                  |
| Energy team                           | 206,283               | -                         | 206,283                 |
| Fact Check Reporting                  | 79,962                | -                         | 79,962                  |
| Online video journalism               | 74,765                | -                         | 74,765                  |
| Total program services                | 1,868,827             | -                         | 1,868,827               |
| Supporting services                   |                       |                           |                         |
| Fundraising                           | 164,633               | -                         | 164,633                 |
| Management and general                | 472,453               | -                         | 472,453                 |
| Total supporting services             | 637,086               | -                         | 637,086                 |
|                                       | <b>2,505,913</b>      | <b>-</b>                  | <b>2,505,913</b>        |
| <br>CHANGE IN NET ASSETS              | <br>(99,776)          | <br>153,710               | <br>53,934              |
| <br>NET ASSETS AT BEGINNING OF YEAR   | <br>1,040,531         | <br>111,335               | <br>1,151,866           |
| <br>NET ASSETS AT END OF YEAR         | <br><u>\$ 940,755</u> | <br><u>\$ 265,045</u>     | <br><u>\$ 1,205,800</u> |

**THE DAILY CALLER NEWS FOUNDATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended December 31, 2017**

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|  |                   |
|--|-------------------|
| <b>OPERATING ACTIVITIES</b>  |                   |
| Change in net assets   | \$ 53,934         |
| Adjustments to reconcile change in net assets<br>to net cash used in operating activities: |                   |
| Depreciation expense   | 3,859             |
| Increase in contributions receivable   | (440,500)         |
| Increased in unbilled revenue  | (1,278)           |
| Decrease in receivable from related party  | 64,654            |
| Decrease in other receivables  | 2,000             |
| Decrease in prepaid expenses   | 7,275             |
| Increase in accounts payable and accrued expenses  | 72,585            |
| Increase in accrued payroll  | 14,448            |
| Decrease in accrued interest payable   | (3,066)           |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>   | <b>(226,089)</b>  |
| <b>INVESTING ACTIVITIES</b>  |                   |
| Capital expenditures - property and equipment  | (9,521)           |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>   | <b>(9,521)</b>    |
| <b>FINANCING ACTIVITIES</b>  |                   |
| Payments of loans  | -                 |
| <b>NET CASH USED IN FINANCING ACTIVITIES</b>   | <b>-</b>          |
| <b>NET DECREASE IN CASH</b>  | <b>(235,610)</b>  |
| <b>CASH AT THE BEGINNING OF YEAR</b>   | <b>1,082,790</b>  |
| <b>CASH AT THE END OF YEAR</b>   | <b>\$ 847,180</b> |

# THE DAILY CALLER NEWS FOUNDATION

## Notes to Financial Statements For the Year Ended December 31, 2017

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### 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.



# THE DAILY CALLER NEWS FOUNDATION

## Notes to Financial Statements For the Year Ended December 31, 2017

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***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, 2017.

### **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, 2017.

### **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.

Most of the property and equipment used by the organization are provided by a related party as a part of occupancy. During 2017 the organization purchased property and equipment to be used exclusively by the Foundation. See Note 5 below.

# THE DAILY CALLER NEWS FOUNDATION

## Notes to Financial Statements For the Year Ended December 31, 2017

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### **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 2017 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, 2017

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### **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, 2017, 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, 2017, 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, 2017, the statute of limitations for tax years 2013 through 2016 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, 2017, 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 balance was \$440,500 as of December 31, 2017.

### **NOTE 4 – CONDITIONAL PROMISES TO GIVE**

There was a conditional promise to give as of December 31, 2017 in the amount of \$20,250. This promise was made as a pledge restricted to the payment of certain fellows under the KAP program. The payment of this contribution was conditional upon the work performed by two specific fellows as named in the contribution agreement. Because this work is anticipated to be performed in 2018, the revenue was not recognized in 2017.

# THE DAILY CALLER NEWS FOUNDATION

## Notes to Financial Statements For the Year Ended December 31, 2017

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### NOTE 5 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31, 2017:

|                                |                 |
|--------------------------------|-----------------|
| Furniture                      | \$ 1,877        |
| Video equipment                | 9,522           |
| Computer equipment             | <u>2,507</u>    |
|                                | <u>13,906</u>   |
| Less: Accumulated depreciation | <u>(4,635)</u>  |
| Property and equipment, net    | <u>\$ 9,271</u> |

Depreciation expense was \$3,859 in 2017.

### NOTE 6 – CONCENTRATIONS OF RISK

The Organization maintains 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, 2017, the Organization had \$847,180 of demand deposit, which exceeded the maximum limit insured by the FDIC by \$597,180.

Approximately 65%, of the Organization's 2017 contributions came from three donors. Each of these donor's contributions individually represented greater than 10% of the Organization's total revenue for the year ended December 31, 2017.

# THE DAILY CALLER NEWS FOUNDATION

## Notes to Financial Statements For the Year Ended December 31, 2017

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### NOTE 7 – RELATED PARTY TRANSACTIONS

The Organization had multiple transactions with a related party, The Daily Caller, which is owned by the Organization's two board members:

#### Rent

The Organization 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 \$168,639 for the year ended December 31, 2017.

#### Loans from Related Party

The Organization had no loans from related party in 2017.

#### Receivable from Related Party

The \$30,930 receivable balance from The Daily Caller at December 31, 2017 consisted of the following items:

- 1) A receivable balance of \$29,729 was from non-foundation expenses charged by a board member due from Daily Caller as of December 31, 2017. This balance was paid to the Organization in June 2018.
- 2) A receivable in the amount of \$1,201 was due from The Daily Caller as of December 31, 2017 because of charges made on the Organization's credit card account that were later found to belong to the related party. This balance was paid to the Organization in June 2018.

### NOTE 8- SUBSEQUENT EVENTS

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through August 29, 2018, 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, 2017

|                                     | Program<br>Services        | Fundraising              | Management<br>and General | Total                      |
|-------------------------------------|----------------------------|--------------------------|---------------------------|----------------------------|
| Salaries                            | \$ 1,442,862               | \$ 108,780               | \$ 265,458                | \$ 1,817,100               |
| Employee benefits                   | 67,298                     | 5,074                    | 11,104                    | 83,476                     |
| Payroll taxes                       | 114,444                    | 8,628                    | 18,882                    | 141,954                    |
| Total Salaries and Related Expenses | <u>1,624,604</u>           | <u>122,482</u>           | <u>295,444</u>            | <u>2,042,530</u>           |
| Rent                                | 143,343                    | 8,432                    | 16,864                    | 168,639                    |
| Professional and consulting fees    | 78,702                     | 9,440                    | 93,194                    | 181,336                    |
| Dues and subscriptions              | 11,506                     | 677                      | 1,353                     | 13,536                     |
| Travel and meetings                 | 6,980                      | 5,402                    | 41,829                    | 54,211                     |
| Supplies                            | 3,692                      | 1,352                    | 1,976                     | 7,020                      |
| Postage                             | -                          | 16,848                   | 468                       | 17,316                     |
| Depreciation                        | -                          | -                        | 3,859                     | 3,859                      |
| Board of Director Fees              | -                          | -                        | 7,500                     | 7,500                      |
| Bank service fee                    | -                          | -                        | 382                       | 382                        |
| Insurance                           | -                          | -                        | 4,584                     | 4,584                      |
| Charitable Donations                | -                          | -                        | 5,000                     | 5,000                      |
| <br>                                |                            |                          |                           |                            |
| <b>TOTAL EXPENSES</b>               | <u><u>\$ 1,868,827</u></u> | <u><u>\$ 164,633</u></u> | <u><u>\$ 472,453</u></u>  | <u><u>\$ 2,505,913</u></u> |