



**REST OF WORLD MEDIA, INC.
AND SUBSIDIARY**

Consolidated Financial Statements

For the Year Ended December 31, 2020

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Independent Auditor's Report

**To the Board of Directors
Rest of World Media, Inc. and Subsidiary
Menlo Park, California**

We have audited the accompanying consolidated financial statements of Rest of World Media, Inc. and Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



T: 425-454-4919
T: 800-504-8747
F: 425-454-4620

10900 NE 4th St
Suite 1400
Bellevue WA
98004

clarknuber.com

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Clark Nuber P.S.

Certified Public Accountants
June 30, 2021

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statement of Financial Position

December 31, 2020

Assets:	
Cash and cash equivalents	\$ 6,332,941
Prepaid expenses and other	42,938
Deposits	<u>87,932</u>
Total Assets	<u>\$ 6,463,811</u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 330,799</u>
Total Liabilities	330,799
Net Assets:	
Without donor restrictions	<u>6,133,012</u>
Total Liabilities and Net Assets	<u>\$ 6,463,811</u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

Support and Revenue Without Donor Restrictions:

Contributions	\$ 10,098,200
Other income	8,500
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Total Support and Revenue Without Donor Restrictions **10,106,700**

Expenses:

Program	4,718,797
Management and general	24,089
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Total Expenses **4,742,886**

Change in Net Assets Without Donor Restrictions **5,363,814**

Net Assets Without Donor Restrictions:

Beginning of year	769,198
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End of Year **\$ 6,133,012**

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Expenses	Management and General	2020 Total
Salaries, benefits and payroll taxes	\$ 2,637,390	\$ -	\$ 2,637,390
Other professional fees	1,321,038	250	1,321,288
Consulting services	193,535		193,535
Legal and management fees	120,877	18,000	138,877
Travel, conferences and meetings	29,346		29,346
Accounting fees	3,560	5,305	8,865
Taxes		235	235
Other	413,051	299	413,350
Total Expenses	<u>\$ 4,718,797</u>	<u>\$ 24,089</u>	<u>\$ 4,742,886</u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows From Operating Activities:

Change in net assets without donor restrictions	\$ 5,363,814
Adjustments to reconcile change in net assets without donor restrictions to net cash provided by operating activities-	
Changes in assets and liabilities:	
Prepaid expenses and other	(75,970)
Accounts payable and accrued expenses	<u>154,050</u>
Net Cash Provided by Operating Activities	<u>5,441,894</u>
Net Change in Cash	5,441,894
Cash, beginning of year	<u>891,047</u>
Cash, End of Year	<u><u>\$ 6,332,941</u></u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 1 - Organization and Summary of Significant Accounting Policies

Organization - Rest of World Media, Inc. is a 501(c)(3) private operating foundation established in April 2019 and incorporated in the state of Delaware as a nonprofit, nonstock charitable corporation with an office in New York. It is dedicated to advancing public knowledge about the impact of technology on people internationally, with a particular focus on societies beyond the United States and Europe. Rest of World Media seeks to address this information gap on the use of digital technology outside the Western world through dedicated programs involving storytelling, research and content distribution.

Rest of World Media International, LLC (the Subsidiary) was formed on January 2, 2020 and is wholly owned by Rest of World Media, Inc. It was registered in Kenya as a foreign registered company. The Subsidiary's purpose was to employ editorial staff, but it did not actively operate during the year ended December 31, 2020. The Subsidiary may be dissolved in 2021.

Principles of Consolidation - The consolidated financial statements include the accounts of Rest of World Media, Inc. and its wholly owned subsidiary, Rest of World Media International LLC, (collectively, the Organization), after elimination of inter-entity accounts and transactions.

Basis of Presentation - The Organization has presented its consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Organization has presented an unclassified consolidated statement of financial position which sequences assets according to their nearness of conversion to cash and sequences liabilities according to the nearness of their maturity and resulting use of cash.

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

Net Assets Without Donor Restrictions - Net assets that are not subject to externally imposed restrictions.

Net Assets With Donor Restrictions - Net assets subject to externally imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time. There were no net assets with donor restrictions at December 31, 2020.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related asset is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets are reported as transfers between the applicable classes of net assets.

Use of Estimates - The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents - The Organization considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 1 - Continued

Revenue Recognition - Contributions and pledges are recognized as revenue when they are received or unconditionally pledged.

Tax Exempt Status - The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Organization is a private operating foundation within the meaning of Section 509(a) of the Code, making its required charitable expenditures by sponsoring and managing its own programs. Pursuant to Section 4940(a) of the Code, the Organization's investment income, reduced by certain allowable expenses, is subject to excise tax at a rate of 1.39% on investment income. Additionally, the Organization may be subject to tax on unrelated business income, if any, generated by investments.

The Organization's status as an operating foundation is determined annually by satisfying the income test as well as one of three alternative tests (asset test, endowment test or support test). The Organization has met the requirements for the private operating foundation status through December 31, 2020.

Functional Allocation of Expenses - The Organization's expenses are directly attributed to program expenses, and management and general activities. Program expenses pertain to costs related to the programs of the Organization for carrying out its charitable activities. Management and general expenses include costs related to financial management support of the Organization. Salaries, benefits and payroll taxes are allocated based on each employees' functional responsibility. Professional fees, including consulting, legal, management, and accounting are recorded based on actual use.

Concentration of Credit Risk - Financial instruments that potentially subject the Organization to concentrations of credit and market risk consist primarily of cash and cash equivalents which are maintained by a major financial institution. During the year ended December 31, 2020, the Organization regularly held cash deposits in excess of federally insured limits.

Accounting Pronouncements Effective in the Future - In February 2016, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2016-02: *Leases (Topic 842)*. The ASU requires leasees, among other things, to recognize right-of-use assets and liabilities on their statement of financial position for all leases with lease terms of longer than twelve months. The ASU will be effective for the Organization for its year ending December 31, 2022. Entities are required to use modified retrospective application for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements with the option to elect certain transition reliefs. The Organization is in the process of evaluating the impact of this ASU.

Note 2 - Availability of Financial Assets and Liquidity

The Organization structures its financial assets to be available and liquid as its general expenditures, liabilities, and other obligations become due. The Organization's financial assets available within one year of December 31, 2020, to meet general expenditures consist of cash and cash equivalents of \$6,332,941.

Note 3 - Related Party Transactions

Contributions from a donor advised fund (DAF) consist of cash and totaled \$10,098,200 during the year ended December 31, 2020. Cash contributions received from the DAF totaled \$1,800,000 during the period from April 17, 2019 (inception) through December 31, 2019.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Year Ended December 31, 2020

Note 3 - Continued

Officers of the Organization are officers or employees of a company (the Company) in which related parties to the Organization have an ownership interest. The Organization entered into an agreement for professional services (the Agreement) with the Company. Under the terms of the Agreement, and in accordance with IRC Section 4941(d) and income Tax Regulation 53.4941(d)-3(c), the Organization shall pay the Company only for personal services that are reasonable and necessary to carry out the Organization's exempt purpose. The Agreement also provides that no portion of any payments by the Organization to the Company shall be for non-personal services or property. During the year ended December 31, 2020, the Organization incurred expenses under the Agreement totaling \$36,000 for accounting, human resources and information technology, of which \$3,000 was payable to the Company at December 31, 2020.

Eligible employees of the Organization may participate in a defined contribution 401(k) plan sponsored by the Company (Note 5).

Note 4 - Commitments and Contingencies

Leases - The Organization leases office space under an operating licensing agreement which expires in February 2021. Subsequent to year end, the Organization renewed the agreement through February 2022. Rent expense totaled \$258,880 during the year ended December 31, 2020.

Future minimum lease payments are as follows for the years ending December 31:

For the Year Ending December 31,

2021	\$ 276,508
2022	<u>47,502</u>
Total Future Lease Payments	<u>\$ 324,010</u>

Pandemic - In December 2019, a novel strain of coronavirus was identified. In January 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and in March 2020 declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus included restrictions on travel, quarantines in certain areas, and mandated closures for certain types of public places and businesses. The Organization has complied with applicable restrictions and continues to actively monitor the situation. The ultimate impact of the pandemic on the Organization is unknown at this time.

Note 5 - Benefit Plans

The Organization has a 401(k) Plan through participation in a related entity's Retirement Savings Plan to provide retirement benefits for its employees. Employees are eligible when they reach 21 years of age and have fulfilled 3 months of service. Discretionary employer matching contributions may be made at 100% of the first 30% of the employee's compensation, up to \$12,500 per year. Employees are 100% vested in contributions made to the Plan. The Organization's contributions to the Plan totaled \$75,096 for the year ended December 31, 2020. The Plan is sponsored by the Company (Note 3).

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

**Notes to Consolidated Financial Statements
For the Year Ended December 31, 2020**

Note 6 - Subsequent Events

The Organization has evaluated subsequent events with respect to the financial statements for the year ended December 31, 2020 through June 30, 2021, the date on which the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying consolidated financial statements, nor have any events occurred, the nature of which would require disclosure.