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

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Rest of World Media, Inc. and Subsidiary (collectively, the Organization), which comprise the consolidated statements of financial position as of December 31, 2021 and 2020, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 consolidated 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 consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 GAAS 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 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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

Clark Nuber P.S.

Certified Public Accountants
July 5, 2022

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statements of Financial Position
December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets:		
Cash and cash equivalents	\$ 7,329,528	\$ 6,332,941
Prepaid expenses and other	90,191	42,938
Deposits	303,153	87,932
Total Assets	<u>\$ 7,722,872</u>	<u>\$ 6,463,811</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 289,126	\$ 330,799
Total Liabilities	289,126	330,799
Net Assets:		
Without donor restrictions	7,433,746	6,133,012
Total Liabilities and Net Assets	<u>\$ 7,722,872</u>	<u>\$ 6,463,811</u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Support and Revenue Without Donor Restrictions:		
Contributions	\$ 6,950,000	\$ 10,098,200
Other income	<u>16,306</u>	<u>8,500</u>
Total Support and Revenue Without Donor Restrictions	6,966,306	10,106,700
Expenses:		
Program	5,610,871	4,718,797
Management and general	<u>54,701</u>	<u>24,089</u>
Total Expenses	<u>5,665,572</u>	<u>4,742,886</u>
Change in Net Assets Without Donor Restrictions	1,300,734	5,363,814
Net Assets Without Donor Restrictions:		
Beginning of year	<u>6,133,012</u>	<u>769,198</u>
End of Year	<u>\$ 7,433,746</u>	<u>\$ 6,133,012</u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

**Consolidated Statements of Functional Expenses
For the Years Ended December 31, 2021 and 2020**

	Program Expenses	Management and General	2021 Total
Salaries, benefits and payroll taxes	\$ 3,139,144	\$ -	\$ 3,139,144
Other professional fees	934,965		934,965
Consulting services	936,684		936,684
Legal and management fees	41,052	18,000	59,052
Travel, conferences and meetings	58,716		58,716
Accounting fees		34,342	34,342
Taxes		2,300	2,300
Other expenses	500,310	59	500,369
Total Expenses	\$ 5,610,871	\$ 54,701	\$ 5,665,572

	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	\$ 4,718,797	\$ 24,089	\$ 4,742,886

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Consolidated Statements of Cash Flows
For the Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets without donor restrictions	\$ 1,300,734	\$ 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	(47,253)	(36,488)
Deposits	(215,221)	(39,482)
Accounts payable and accrued expenses	(41,673)	154,050
	<u>996,587</u>	<u>5,441,894</u>
Net Cash Provided by Operating Activities	996,587	5,441,894
Net Change in Cash	996,587	5,441,894
Cash, beginning of year	<u>6,332,941</u>	<u>891,047</u>
Cash, End of Year	<u>\$ 7,329,528</u>	<u>\$ 6,332,941</u>

See accompanying notes.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 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, Inc. 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 years ended December 31, 2021 and 2020.

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 unclassified consolidated statements of financial position which sequence assets according to their nearness of conversion to cash and sequence 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, 2021 and 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.

Deposits - Deposits include a lease security deposit and the first month's fee deposit for contractors.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

Note 1 - Continued

Revenue Recognition - Contributions and pledges are recognized as revenue when they are received or unconditionally pledged. There were no outstanding conditional pledges at December 31, 2021 or 2020.

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, 2021.

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 years ended December 31, 2021 and 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 lessees, 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, 2021, to meet general expenditures consist of cash and cash equivalents of \$7,329,528. The Organization's financial assets available within one year of December 31, 2020, to meet general expenditures consisted 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 \$6,950,000 and \$10,098,200 during the years ended December 31, 2021 and 2020, respectively.

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 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, 2021, the Organization incurred expenses under the Agreement totaling \$36,000 for accounting, human resources and information technology, of which \$0 was payable to the Company at December 31, 2021. 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 leased office space under an operating licensing agreement which expired in February 2022. From November 2021 through February 2022, the Organization had a sublicense agreement with a third-party for approximately \$10,000 per month. The Organization recognized approximately \$12,000 in rent revenue during the year ended December 31, 2021, reported in other income on the consolidated statements of activities and changes in net assets. Expected revenue for the year ending December 31, 2022 under the sublicense agreement is \$20,000.

The Organization also leases office space under a lease agreement beginning November 2021 through April 2027. The agreement calls for lease abatement periods throughout the term of the agreement. The Organization recognizes rent expense on the straight-line basis over the term of the agreement, resulting in \$36,377 of deferred rent liability at December 31, 2021.

Rent expense totaled \$312,885 and \$258,880 during the years ended December 31, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

For the Year Ending December 31,

2022	\$	373,468
2023		453,909
2024		461,852
2025		469,935
2026		478,158
Thereafter		<u>174,695</u>
Total Future Lease Payments	\$	<u>2,412,017</u>

REST OF WORLD MEDIA, INC. AND SUBSIDIARY

Notes to Consolidated Financial Statements For the Years Ended December 31, 2021 and 2020

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 \$152,404 and \$75,096 for the years ended December 31, 2021 and 2020, respectively. The Plan is sponsored by the Company (Note 3).

Note 6 - Subsequent Events

The Organization has evaluated subsequent events with respect to the consolidated financial statements for the year ended December 31, 2021 through July 5, 2022, the date on which the consolidated 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.