

Meedan, Inc.

Financial Statements &
Independent Auditor's Report
for the Year Ended
December 31, 2020

**COOK &
COMPANY**

A PROFESSIONAL ACCOUNTANCY CORPORATION

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A PROFESSIONAL ACCOUNTANCY CORPORATION

Independent Auditor's Report

To the Board of Directors
Meedan, Inc.
San Francisco, California

We have audited the accompanying financial statements of Meedan, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, the related statements of activities and changes in net assets, functional expenses, 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 of 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 an assessment of the risks of the 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.

(continued on next page)

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Meedan, Inc., as of December 31, 2020, 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 Summarized Comparative Information

We have previously audited the December 31, 2019, financial statements of Meedan, Inc., and our report dated July 28, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink that reads "Cook & Company". The signature is written in a cursive, flowing style.

A Professional Accountancy Corporation
San Francisco, California
March 30, 2021

Meedan, Inc.

Statement of Financial Position December 31, 2020 with Comparative Totals for December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u> (Note 2)
ASSETS		
Cash & cash equivalents	\$ 1,106,641	\$1,054,966
Contributions receivable	221,557	318,359
Accounts receivable	111,325	60,050
Prepaid expenses and other assets	42,081	33,447
Total current assets	<u>1,481,604</u>	<u>1,466,822</u>
Property & equipment, net (Note 3)	7,204	-
TOTAL ASSETS	<u>\$ 1,488,808</u>	<u>\$1,466,822</u>
LIABILITIES & NET ASSETS		
Accounts payable	\$ 253,319	\$ 383,371
Accrued payroll	63,888	50,726
Accrued vacation	28,814	-
Deferred revenue	-	78,601
Total current liabilities	<u>346,021</u>	<u>512,698</u>
Forgivable government loan (Note 2)	113,608	-
TOTAL LIABILITIES	<u>459,629</u>	<u>512,698</u>
Net Assets		
Without donor restrictions	996,041	466,307
With donor restrictions (Note 4)	33,138	487,817
TOTAL NET ASSETS	<u>1,029,179</u>	<u>954,124</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 1,488,808</u>	<u>\$1,466,822</u>

See accompanying notes to financial statements
and independent auditor's report.

Meedan, Inc.

Statement of Activities and Changes in Net Assets for the Year Ended December 31, 2020 with Comparative Totals for the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total (Note 2)
Support & Revenue:				
Contributions / grants	\$ 1,368	\$ 2,373,469	\$ 2,374,837	\$ 1,912,873
Government grants	-	-	-	288,939
In-kind support	10,927	-	10,927	
Net assets released from restriction:				
Satisfaction of donor restrictions	2,828,148	(2,828,148)	-	-
Program fees	1,279,736	-	1,279,736	753,190
Other	(74)	-	(74)	2,859
Total support & revenue	4,120,105	(454,679)	3,665,426	2,957,861
Expenses:				
Program services	3,275,958	-	3,275,958	2,412,953
Management & general	291,338	-	291,338	175,940
Fundraising	23,075	-	23,075	5,866
Total expenses	3,590,371	-	3,590,371	2,594,759
CHANGE IN NET ASSETS	529,734	(454,679)	75,055	363,102
NET ASSETS, January 1	466,307	487,817	954,124	591,022
NET ASSETS, December 31	\$ 996,041	\$ 33,138	\$ 1,029,179	\$ 954,124

See accompanying notes to financial statements
and independent auditor's report.

Meedan, Inc.

Statement of Functional Expenses for the Year Ended December 31, 2020 with Comparative Totals for the Year Ended December 31, 2019

	Program Services	Management & General	Fundraising	2020 Total	2019 Total (Note 2)
Salaries	\$ 811,525	\$ 38,010	\$ 11,122	\$ 860,657	\$ 539,668
Payroll taxes	52,335	4,971	737	58,043	47,563
Employee benefits	109,099	3,692	2,151	114,942	61,945
Contractors (Note 1)	801,677	56,643	1,674	859,994	676,186
Consultants (Note 1)	1,297,368	6,008	5,317	1,308,693	843,915
Accounting & auditing (Note 1)	-	163,145	-	163,145	127,283
Legal fees	1,484	41	10	1,535	5,500
Office expenses	5,346	33	32	5,411	6,941
Information technology	124,876	1,023	837	126,736	55,671
Occupancy	26,006	237	162	26,405	26,373
Supplies	12,038	274	95	12,407	14,091
Conferences, meetings & meals	783	1	2	786	8,097
Insurance	8,578	6,223	63	14,864	14,878
Travel	11,506	13	1	11,520	151,100
Depreciation	1,425	-	-	1,425	-
Miscellaneous	11,912	11,024	872	23,808	15,548
Total	<u>\$ 3,275,958</u>	<u>\$ 291,338</u>	<u>\$ 23,075</u>	<u>\$3,590,371</u>	<u>\$2,594,759</u>

See accompanying notes to financial statements
and independent auditor's report.

Meedan, Inc.

Statement of Cash Flows for the Year Ended December 31, 2020 with Comparative Totals for the Year Ended December 31, 2019

	2020	2019 (Note 2)
Cash flows from operating activities:		
Cash received from grantors/contributors	\$ 2,471,639	\$ 2,135,799
Cash received from payments of program fees	1,149,860	772,033
Cash received from other sources	-	2,859
Cash generated from operating activities	3,621,499	2,910,691
Cash paid to, or for the benefit of, employees	(980,739)	(624,745)
Cash paid to contractors and suppliers	(2,694,064)	(1,664,777)
Cash disbursed for operating activities	(3,674,803)	(2,289,522)
Net cash flows generated from operating activities	(53,304)	621,169
Cash flows from investing activities:		
Purchases of fixed assets	(8,629)	-
Net cash flows from investing activities	(8,629)	-
Cash flows from financing activities:		
Cash provided by forgivable government loan	113,608	-
Net cash flows from financing activities	113,608	-
 NET INCREASE IN CASH	 51,675	 621,169
CASH & CASH EQUIVALENTS, beginning of year	1,054,966	433,797
CASH & CASH EQUIVALENTS, end of year	\$ 1,106,641	\$ 1,054,966

Supplemental information:

Reconciliation of change in net assets to cash flows generated from operating activities:

Change in net assets	\$ 75,055	\$ 363,102
Adjustments to reconcile change in net assets to net cash from (used for) operating activities		
Depreciation expense	1,425	-
Changes in assets and liabilities:		
Contributions receivable	96,802	(66,013)
Accounts receivable	(51,275)	18,843
Prepaid expenses and other assets	(8,634)	(1,651)
Accounts payable	(130,052)	203,856
Accrued payroll liabilities	41,976	24,431
Deferred revenue	(78,601)	78,601
Net cash flows generated from operating activities	\$ (53,304)	\$ 621,169

See accompanying notes to financial statements
and independent auditor's report.

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

1. The Organization

Nature of Activities

Meedan, Inc. (Meedan or the Organization) is a California nonprofit public benefit corporation that focuses on improving the quality and equity of online information. Meedan builds software and design human-powered initiatives for newsrooms, NGOs and academic institutions. The projects and products support open-source investigations, digital media verification, media literacy training and long-term research into indicators of information quality.

Organizational Structure

Meedan is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is governed by a board of directors. In addition to its core staff of employees, Meedan relies on independent contractors to carry out its activities. This includes an outside firm that handles many of the Organization's accounting and administrative functions.

Funding

Major funding is received in the form of grants from foreign and domestic agencies. In addition, a substantial amount of revenue is generated from program service contracts with corporate partners.

Programs

Major programs conducted during the year include:

The **Check Global** Program encompasses all areas of Meedan's work in programs, research, network, content, and technology. Built around Check, our award-winning, open source collaborative media annotation and misinformation response workflow software, and implemented through partnerships with a range of global independent media and civil society organizations. We measure the impact of our work in partnership with Birmingham City University's M&E (measurement and evaluation) Lab.

All aspects of the Check Global Program share a goal of improving digital literacy, community-building and political engagement skills for citizen journalists, activists, journalism students, civil society organizations and human rights defenders, thus strengthening their role as investigators and contributors to the public sphere. In 2020, we also released the Content Moderation Toolkit for Civil Society as a framework toward a common vocabulary and methodology for content moderation as a toolkit for civil society and platforms alike.

We are committed to strengthening the capacities of our partners to use media and technology to:

- Counter the rise of misinformation and disinformation
- Provide credible information and address inequalities in access to information
- Develop media literacy skills so they, and the communities they work with, are better equipped to hold public figures to account

Meedan's **Digital Health Lab** expresses the technology, research, and ethical program design approach we have built into online health information projects. Founded in 2018 with support from the Robert Wood Johnson Foundation (RWJF), the lab's work is researching, designing and testing a digital response framework for addressing health misinformation online, centered around accessibility and equity.

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

Over the course of 2020, expressed through <https://health-desk.org> (formerly under <https://learnaboutcovid19.org>), our Digital Health Lab team has researched, tested and co-designed a collaborative fact-checking model for health content based on syndication. We tested a hypothesis that a rapid-response process where a team of health experts distill scientific evidence based on requests made by fact-checkers—requests that other communicators around the world may also have—we can meet the needs of audiences searching for health information online more efficiently, at larger scales, across regions, and directly where searching takes place.

This initiative involves:

- Collecting critical pandemic-related queries directly from fact-checking organizations and other community information leaders
- Triaging COVID-19 content to send to team members with specific public health expertise to provide standardized responses
- Designing content packages for responses grounded in standards of care for health communications
- Working directly with third-party fact-checkers to disseminate query answers to the public, with a special emphasis on closed messaging integration software

Meedan Research has conducted ground-breaking research focused on challenging computer science topics including claims extraction and matching, cross-lingual claims matching, topic extraction, and image matching. This includes two recent papers:

Claim Matching Beyond English to Scale Global Fact-Checking is a paper that builds datasets indicating (a) whether a social media message makes a claim that can be fact-checked and (b) how similar the claims are between pairs of messages in English, Hindi, Bengali, Tamil, and Malayalam. This research generated a new sentence embedding model for these languages and achieves state-of-the-art performance.

Tiplines to Combat Misinformation on Encrypted Platforms: A Case Study of the 2019 Indian Election on WhatsApp compares the content received on a WhatsApp misinformation tiplines run during the 2019 Indian general election with content scraped from large, political groups on WhatsApp during the same time period. We found that tiplines capture a meaningful proportion of the most viral content, and, most significantly, this content often appears on the tipline before appearing in the public groups.

2. Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, support is recognized when it is awarded, revenue is recognized when it is earned, and expenses are recognized when they are incurred.

Cash & Cash Equivalents

Cash and cash equivalents include deposits held in bank checking and money market accounts.

Accounts Receivable

Receivables from program service contracts with corporate partners consist of amounts management expects to collect on balances outstanding at year-end.

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

Contributions Receivable

Contributions receivable are reported at the amount management expects to receive from contributors based on formal, written promises received. Because all amounts are deemed collectible within one year of the balance sheet date, the financial statements do not include a bad debt allowance or present value discount.

Property & Equipment

Fixed assets consist of computers and other office equipment with an initial cost of at least \$2,000 and a useful life of at least one year. Depreciation is recognized using the straight-line method over the assets' estimated useful life of three years.

Deferred Revenue

Deferred revenue consists of payments of program service fees received in advance for activities occurring after the balance sheet date. Such amounts will be recognized as revenue when the respective program services occur.

Forgivable Government Loan

In connection with economic uncertainties resulting from the Coronavirus pandemic, Meedan applied for and received a forgivable loan through the U.S. Small Business Administration's Paycheck Protection Program (PPP). Nonprofit organizations have the option of treating the funding from this program as a conditional government grant in accordance with ASC 958 or as debt in accordance with ASC 470. Because the Organization has elected the latter method, the total amount received is presented as a long-term liability on the *statement of financial position*. Any amounts forgiven at a future date will be recognized as revenue on the date when the formal act of forgiveness occurs. Any amounts not forgiven, plus accrued interest at an annual rate of 1%, must be repaid by May 2022.

Fair Value of Financial Instruments

The carrying amounts of cash, receivables, and accounts payable approximate fair value because of the short maturity of these instruments.

Net Assets

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

Net assets without donor restrictions, which includes resources not subject to, or are no longer subject to, donor-imposed stipulations.

Net assets with donor restrictions, which includes resources whose use is limited by donor-imposed time and/or purpose restrictions.

Recognition of Contributions

Contributions are recognized when the Organization receives cash, securities or other assets, an unconditional promise to give, or notification of an irrevocable beneficial interest.

Contributions are reported as increases in *net assets without donor restrictions* unless use of the contributed assets is limited by donor-imposed stipulations. Expirations of donor-restrictions (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time-period has elapsed) are reported as reclassifications between the applicable classes of net assets. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

In-kind Support

In-kind support consists of the monetary value of vacation time earned by the Organization's senior executives and contributed to the Organization.

Revenue Recognized from Contracts with Customers

Revenue recognized from contracts with customers is included under the program fees caption of the statement of activities. Such revenue includes amounts charged to various companies and institutions for consulting activities, including software services, training and support. The majority of program revenue is derived from contracts that begin and end within a single fiscal year, although contracts occasionally cross fiscal years.

The Organization recognizes contracts with customers in accordance with FASB ASC 606, which provides a comprehensive framework for revenue recognition from reciprocal transactions. Under ASC 606, Meedan allocates each contract's total revenue to its various performance obligations (i.e. deliverables to be provided to the customer). Revenue associated with each performance obligation is recognized over the respective service period.

Some contracts require advance payment, while others are invoiced once services are provided. Accordingly, the December 31, 2020 and 2019 balances of accounts receivable and deferred revenue are presented on the statement of financial position. The outstanding balances of contract assets (i.e. the portion that is not recognized as an asset or revenue in the accompanying financial statements) were \$640,408 as of December 31, 2020, and \$78,601 as of December 31, 2019.

Functional Expenses

The Organization presents its expenses by natural category (e.g. salaries, office expenses, etc.) and by function. The three major functions included in the accompanying financial statements are *program services, management & general* and *fundraising*.

Program services include the direct conduct and direct supervision of specific program activities.

Fundraising includes efforts to solicit monetary and nonmonetary contributions. (Because the Organization maintains long-term relationships with a small group of major contributors, very little is spent on fundraising activities.)

Management & general includes general oversight, recordkeeping, regulatory compliance, governance, financial management, and all other activities that do not constitute the direct conduct or direct supervision of specific program services or fundraising activities.

The Organization has developed a cost allocation methodology to ensure that expenses are charged to the appropriate functions described above. On a monthly basis, the cost of each staff member's compensation is allocated to functions according to activities reported on timesheets. Shared costs, primarily consisting of occupancy and office expenses, are accumulated in a shared cost pool and allocated to functions according to the Organization's aggregated time and effort expended on each function.

Other expenses are charged directly to the appropriate function based on specific identification.

Income Taxes

As a public charity, the Organization is exempt from income taxes except on activities unrelated to its mission. As management believes that all of the Organization's activities are directly related to its mission, no provision has been made for income tax expense. The Organization's federal *Return of*

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

Organization Exempt from Income Tax (Form 990) filings for the tax years ending in 2018 through 2020 are subject to examination by the Internal Revenue Service, generally for three years after they were filed. The Organization's California *Exempt Organization Annual Information Return* (Form 199) filings for the tax years ending in 2017 through 2020 are subject to examination by the California Franchise Tax Board, generally for four years after they were filed.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

New Accounting Pronouncement in Effect

Accounting Standards Update No. 2014-09— *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09) was issued by the Financial Accounting Standards Board (FASB) in May 2014 and is effective for nonpublic entities in calendar years ending in 2020 and beyond.

This update supersedes or replaces nearly all GAAP revenue recognition guidance for reciprocal transactions. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The enactment of this pronouncement is reflected in the Organization's financial statements for the year ended December 31, 2020.

These financial statements also reflect the provisions Accounting Standards Update No. 2018-08—*Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Made and Contributions Received* (ASU 2018-08), which the FASB enacted in June 2018 in response to concerns and questions relating to the applicability of ASU 2014-09 to nonprofit organizations.

This update provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal) or exchange transactions (reciprocal) and (2) determining whether a contribution is conditional. This pronouncement was effective for calendar years ending in 2019 and beyond. There is no effect on the Organization's beginning net assets in connection with the enactment of either of these pronouncements.

Prior Year Comparative Data

The financial statement information for the year ended December 31, 2019, presented for comparative purposes, is not intended to be a complete financial statement presentation. Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 financial statement presentation. For a complete presentation of 2019, please refer to the financial statements for that year.

3. Property & Equipment

Computers and equipment	\$11,629
Less: accumulated depreciation	<u>(4,425)</u>
Net book value	\$7,204

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

4. Net Assets with Donor Restrictions

The balance of *net assets with donor restrictions* represents unspent grants and contributions that donors have earmarked for the following:

Research about disinformation on encrypted networks	\$26,124
<i>Check Global</i> program (see description in Note 1)	<u>7,014</u>
Total	\$33,138

5. Leases

Meedan rents office space in various cities in North and South America on a month-to-month basis. The total rent expense in 2020 was approximately \$26,000.

6. Contingencies, Risks and Uncertainties

COVID-19

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may impact the Organization's ability to conduct program activities or raise contributions. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. As such, the financial impact of this situation cannot be reasonably estimated at this time.

Concentration of Cash Deposits

Meedan maintains substantially all of its cash deposits with one financial institution, exceeding Federal Deposit Insurance Corporation limits of \$250,000 per depositor per institution. However, management believes the risk of loss is minimal.

Concentration of Revenue and Support

During 2020, approximately 91% of the Organization's total revenue and support was derived from four funding sources. Should funding from these sources decrease, Meedan could experience a contraction in its services.

Satisfaction of Donor Requirements

Meedan receives contributions that are restricted for a specific program or purpose. If such restrictions are not met in accordance with the funding source agreement, there is the possibility that funds would have to be returned to the donor. It is management's opinion that all donor requirements have been met for contributions that have been released from *net assets with donor restrictions* or recorded directly to *net assets without donor restrictions*.

7. Liquidity & Availability of Financial Assets

Meedan consistently reviews cash flow through analysis of projected incoming cash and overlaying that with projected outgoing cash. Meedan also receives monthly compilation reports that have budget to actual expenses shown annually and monthly. The majority of receivables are based on contracts or grants from our corporate partners, foundations and governments. Contracts generally have payment schedules outlined in the contract. Grants often get paid as lump sums at or near time of commitment or by expense reimbursement to actual expenses.

Meedan, Inc.

Notes to the Financial Statements for the Year Ended December 31, 2020

Financial assets available to meet cash needs for general expenditures within one year are as follows:

Cash & equivalents	\$1,106,641
Contributions receivable	221,557
Accounts receivable	<u>111,325</u>
Total	\$1,439,523

8. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 30, 2021, the date the financial statements were available to be issued.