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KNOWLEDGE FUTURES, INC.

Audited Financial Statements

June 30, 2022



Independent Auditor's Report

To the Board of Directors of
Knowledge Futures, Inc.

Opinion

We have audited the accompanying financial statements of Knowledge Futures, Inc. (the "Organization"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2022, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 audit. 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 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 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 within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 generally accepted auditing standards 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, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 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.

Report on Summarized Comparative Information

The financial statements of the Organization as of and for the year ended June 30, 2021, were audited by other auditors whose report dated February 7, 2022, expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects with the audited financial statements for which it was derived.

Sax CPAs LLP

New York, NY
April 24, 2023

KNOWLEDGE FUTURES, INC.
STATEMENT OF FINANCIAL POSITION
AT JUNE 30, 2022
(With comparative totals at June 30, 2021)

	6/30/22	6/30/21
Assets		
Cash and cash equivalents	\$703,912	\$578,862
Pledges receivable	500,000	0
Other receivables	54,614	9,043
Prepaid expenses	58,208	53,805
Total assets	\$1,316,734	\$641,710
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$47,663	\$62,961
Deferred revenue	37,249	4,129
Total liabilities	84,912	67,090
Net assets:		
Without donor restrictions	472,253	517,068
With donor restrictions (Note 3)	759,569	57,552
Total net assets	1,231,822	574,620
Total liabilities and net assets	\$1,316,734	\$641,710

The attached notes and auditor's report are an integral part of these financial statements.

KNOWLEDGE FUTURES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 6/30/22</u>	<u>Total 6/30/21</u>
Public support and revenue:				
Contributions	\$1,160,625	\$1,250,000	\$2,410,625	\$1,830,000
Program service revenue	187,268		187,268	71,799
Net assets released from restrictions (Note 3)	547,983	(547,983)	0	0
	<u>1,895,876</u>	<u>702,017</u>	<u>2,597,893</u>	<u>1,901,799</u>
Expenses:				
Program services	<u>1,520,926</u>	<u>0</u>	<u>1,520,926</u>	<u>1,282,044</u>
Supporting services				
Management and general	277,222		277,222	273,885
Fundraising	142,543		142,543	187,111
Total supporting services	<u>419,765</u>	<u>0</u>	<u>419,765</u>	<u>460,996</u>
	<u>1,940,691</u>	<u>0</u>	<u>1,940,691</u>	<u>1,743,040</u>
Change in net assets	(44,815)	702,017	657,202	158,759
Net assets - beginning of year	<u>517,068</u>	<u>57,552</u>	<u>574,620</u>	<u>415,861</u>
Net assets - end of year	<u><u>\$472,253</u></u>	<u><u>\$759,569</u></u>	<u><u>\$1,231,822</u></u>	<u><u>\$574,620</u></u>

The attached notes and auditor's report are an integral part of these financial statements.

KNOWLEDGE FUTURES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	Program Services	Supporting Services		Total Supporting Services	Total Expenses 6/30/22	Total Expenses 6/30/21
		Management and General	Fundraising			
Salaries	\$1,041,047	\$148,952	\$117,861	\$266,813	\$1,307,860	\$880,796
Payroll taxes and employee benefits	198,299	29,029	22,970	51,999	250,298	150,357
Grants				0	0	315,000
Consultants	167,233			0	167,233	237,349
Professional fees		86,172		86,172	86,172	80,761
Software and web services	73,146			0	73,146	53,357
Travel	25,420			0	25,420	0
Office supplies		5,386		5,386	5,386	6,991
Occupancy		4,650		4,650	4,650	5,031
Insurance	14,781	2,164	1,712	3,876	18,657	4,604
Recruiting				0	0	2,977
Conferences	1,000			0	1,000	792
Other expenses		869		869	869	5,025
Total expenses	\$1,520,926	\$277,222	\$142,543	\$419,765	\$1,940,691	\$1,743,040

The attached notes and auditor's report are an integral part of these financial statements.

KNOWLEDGE FUTURES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
(With comparative totals for the year ended June 30, 2021)

	<u>6/30/22</u>	<u>6/30/21</u>
Cash flows from operating activities:		
Change in net assets	\$657,202	\$158,759
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:		
Changes in assets and liabilities:		
Pledges receivable	(500,000)	0
Other receivables	(45,571)	(6,043)
Prepaid expenses	(4,403)	(53,805)
Accounts payable and accrued expenses	(15,298)	51,861
Deferred revenue	33,120	4,129
Total adjustments	<u>(532,152)</u>	<u>(3,858)</u>
Net cash flows provided by operating activities/ net increase in cash and cash equivalents	125,050	154,901
Cash and cash equivalents - beginning of year	<u>578,862</u>	<u>423,961</u>
Cash and cash equivalents - end of year	<u><u>\$703,912</u></u>	<u><u>\$578,862</u></u>
No interest or taxes were paid.		

The attached notes and auditor's report are an integral part of these financial statements.

KNOWLEDGE FUTURES, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

Note 1 - Organization

Knowledge Futures, Inc. (the “Organization”) was formed in Massachusetts in 2019 as a not-for-profit organization. The Organization builds and sustains technology for the production, curation, and preservation of knowledge in service of the public good. The Organization is developing a collaborative, academic publishing platform called PubPub, and also works on the Innovative Information Initiative, which aims to improve data sharing.

The Organization’s main source of revenue is foundation grants.

The Organization is a not-for-profit organization exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting, which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

b. Basis of Presentation

The Organization reports information regarding its financial position and activities according to the following specific classes of net assets:

- *Net Assets Without Donor Restrictions* – represents those resources for which there are no specific restrictions by donors as to their use.
- *Net Assets With Donor Restrictions* – represents those resources, the uses of which have been restricted by donors to specific purposes or the passage of time. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Revenue Recognition

The Organization follows the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 606 for recognizing revenue from contracts with customers. Box office revenue and concession sales revenue fall under FASB ASC 606. Each source of revenue is analyzed to determine whether there is a contract with the customer that identifies both the performance obligation and the transaction price.

The Organization receives program service revenue that falls under FASB ASC 606. Program service revenue is recognized as the performance obligations are met. Program service revenue that has been earned but not paid at year end is recognized as income and a related receivable. Cash that has been received but not earned at year end is recognized as deferred revenue.

The Organization follows FASB ASC 958-605 for recording contributions, which are recognized at the time a contribution becomes unconditional in nature. Contributions are recorded in the net asset classes referred to above depending on the existence and/or nature of any donor-imposed restriction. When a restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions. If donor restricted contributions are satisfied in the same period they were received, they are classified as without donor restrictions.

Contributions may be subject to conditions which are defined as both a barrier to entitlement and a right of return of payments, or release from obligations, and are recognized as income once the conditions have been substantially met. Conditional pledges that have not been recognized amounted to \$125,000 and \$0 at June 30, 2022 and 2021, respectively.

The Organization records pledges receivable as revenue in the period they become unconditional. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk-adjusted discount rate when deemed material. At June 30, 2022 and 2021, all pledges receivable were due within one year.

Management assesses the collectability of all outstanding receivables based upon historical trends and experience with donors. Based on that review, no allowance for uncollectible accounts has been established as of June 30, 2022.

d. Cash and Cash Equivalents

The Organization considers all liquid investments with an initial maturity of three months or less to be cash and cash equivalents.

e. Concentration of a Credit Risk

Financial instruments, which potentially subject the Organization to a concentration of credit risk, consist of cash and money market accounts that have been placed with financial institutions that management deems to be creditworthy. At times, balances may exceed federally insured limits. While at year end the Organization had uninsured balances, management feels they have little risk and has not experienced any losses due to bank failure.

f. In-Kind Contributions

The Organization recognizes contributions of services that create or enhance non-financial assets or require specialized skills, are performed by those who possess such skills, and would ordinarily pay for such services if they had not been provided in-kind. Many individuals volunteer their time and perform a variety of services that assist the Organization with specific assistance programs, campaign solicitation, and various committee assignments. These volunteer services do not meet the criteria outlined above and have not been recognized in the financial statements.

g. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

h. Prior Year Summarized Comparative Information

The financial statements include certain prior summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

i. Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the financial statements. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations are determined by management on an equitable basis.

The following expenses were allocated using time and effort as the basis:

- Salaries
- Payroll taxes and employee benefits
- Insurance

All other expenses have been charged directly to the applicable program or supporting services.

j. Advertising Costs

Advertising costs are expensed as incurred.

k. Accounting for Uncertainty of Income Taxes

The Organization does not believe its financial statements include any material, uncertain tax positions. Tax filings for the period ending June 30, 2020 (initial filing) are subject to examination by applicable taxing authorities.

l. New Accounting Pronouncement

FASB issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The ASU which becomes effective for the June 30, 2023 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

The Organization is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Net Assets With Donor Restrictions

The following summarizes the nature of net assets with donor restrictions:

	<u>June 30, 2022</u>			
	<u>Balance</u>		<u>Released</u>	<u>Balance</u>
	<u>7/1/21</u>	<u>Contributions</u>	<u>from</u>	<u>6/30/22</u>
			<u>Restrictions</u>	
Products and protocols	\$0	\$750,000	(\$490,431)	\$259,569
DocMaps framework	0	500,000	0	500,000
Rapid Reviews COVID-19	35,000	0	(35,000)	0
Underlay	<u>22,552</u>	<u>0</u>	<u>(22,552)</u>	<u>0</u>
Total	<u>\$57,552</u>	<u>\$1,250,000</u>	<u>(\$547,983)</u>	<u>\$759,569</u>

	<u>June 30, 2021</u>			
	<u>Balance</u> <u>7/1/20</u>	<u>Contributions</u>	<u>Released</u> <u>from</u> <u>Restrictions</u>	<u>Balance</u> <u>6/30/21</u>
Rapid Reviews COVID-19	\$350,000	\$0	(\$315,000)	\$35,000
Underlay	<u>0</u>	<u>150,000</u>	<u>(127,448)</u>	<u>22,552</u>
Total	<u>\$350,000</u>	<u>\$150,000</u>	<u>(\$442,448)</u>	<u>\$57,552</u>

Note 4 - Commitments and Contingencies – Conditional Grants

During the year ended June 30, 2022, the Organization had one conditional contribution of \$125,000 added to conditional pledges. This grant will be recognized as income in the period that the conditions have been satisfied.

Note 5 - Significant Concentration

During the year ended June 30, 2021, the Organization received a contribution from one donor that amounted to 79% of total revenue.

Note 6 - Availability and Liquidity

The Organization maintains cash on hand to be available for its general expenditures, liabilities, and other obligations for on-going operations. As part of its liquidity management, the Organization operates its programs within a board approved budget and relies on contributions to fund its operations and program activities.

The following reflects the Organization’s financial assets at June 30, 2022 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:	
Cash and cash equivalents	\$703,912
Pledges receivable	500,000
Other receivables	<u>54,614</u>
Total financial assets	\$1,258,526
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(759,569)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$498,957</u>

Note 7 - Subsequent Events

Subsequent events have been evaluated through April 24, 2023, the date the financial statements were available to be issued. There were no material events that have occurred that require adjustment to or disclosure to the financial statements.