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KNOWLEDGE FUTURES, INC.

Audited Financial Statements

December 31, 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 December 31, 2022, and the related statements of activities, functional expenses, and cash flows for the six-month period 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 December 31, 2022, and the changes in net assets and its cash flows for the six-month period 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 there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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.

Sax CPAs LLP

New York, NY

November 1, 2023

KNOWLEDGE FUTURES, INC.
STATEMENT OF FINANCIAL POSITION
AT DECEMBER 31, 2022

Assets

Cash and cash equivalents	\$6,892,053
Pledges receivable (Note 3)	100,000
Other receivables	14,643
Prepaid expenses	<u>30,471</u>
 Total assets	 <u><u>\$7,037,167</u></u>

Liabilities and Net Assets

Liabilities:	
Accounts payable and accrued expenses	\$80,900
Deferred revenue	<u>43,145</u>
Total liabilities	<u>124,045</u>
 Net assets:	
Without donor restrictions	5,332,808
With donor restrictions (Note 4)	<u>1,580,314</u>
Total net assets	<u>6,913,122</u>
 Total liabilities and net assets	 <u><u>\$7,037,167</u></u>

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

KNOWLEDGE FUTURES, INC.
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenue:			
Contributions	\$5,775,625	\$1,100,000	\$6,875,625
Program service revenue	77,153		77,153
Net assets released from restrictions (Note 4)	279,255	(279,255)	0
Total public support and revenue	<u>6,132,033</u>	<u>820,745</u>	<u>6,952,778</u>
Expenses:			
Program services	<u>920,628</u>	<u>0</u>	<u>920,628</u>
Supporting services			
Management and general	225,550		225,550
Fundraising	125,300		125,300
Total supporting services	<u>350,850</u>	<u>0</u>	<u>350,850</u>
Total expenses	<u>1,271,478</u>	<u>0</u>	<u>1,271,478</u>
Change in net assets	4,860,555	820,745	5,681,300
Net assets - beginning of year	<u>472,253</u>	<u>759,569</u>	<u>1,231,822</u>
Net assets - end of year	<u><u>\$5,332,808</u></u>	<u><u>\$1,580,314</u></u>	<u><u>\$6,913,122</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 SIX MONTHS ENDED DECEMBER 31, 2022

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries	\$629,555	\$112,439	\$105,667	\$218,106	\$847,661
Payroll taxes and employee benefits	117,297	20,892	19,633	40,525	157,822
Consultants	96,092			0	96,092
Professional fees		50,484		50,484	50,484
Software and web services	42,119			0	42,119
Travel	32,465			0	32,465
Office expense		23,571		23,571	23,571
Insurance		9,280		9,280	9,280
Recruiting		1,211		1,211	1,211
Conferences	3,100			0	3,100
Other expenses		7,673		7,673	7,673
Total expenses	\$920,628	\$225,550	\$125,300	\$350,850	\$1,271,478

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

KNOWLEDGE FUTURES, INC.
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2022

Cash flows from operating activities:	
Change in net assets	\$5,681,300
Adjustments to reconcile change in net assets to net cash flows provided by operating activities:	
Changes in assets and liabilities:	
Pledges receivable	400,000
Other receivables	39,971
Prepaid expenses	27,737
Accounts payable and accrued expenses	33,237
Deferred revenue	5,896
Total adjustments	<u>506,841</u>
Net cash flows provided by operating activities/ net increase in cash and cash equivalents	6,188,141
Cash and cash equivalents - beginning of year	<u>703,912</u>
Cash and cash equivalents - end of year	<u><u>\$6,892,053</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
DECEMBER 31, 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. Recently Adopted Accounting Standards

Effective July 1, 2022, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases*. The ASU 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. This standard had no material impact on these financial statements as the Organization did not have any leases during 2022.

Additionally, effective July 1, 2022, the Organization adopted the requirements of FASB ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU focuses on improving transparency in the reporting of contributed nonfinancial assets and requires a separate line-item presentation on the statement of activities and additional qualitative and quantitative disclosures. Adoption of the standard did not have a material impact on the Organization’s financial statements.

c. 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.

d. Revenue Recognition

The Organization follows the FASB's Accounting Standards Codification ("ASC") 606 for recognizing revenue from contracts with customers. Program service revenue falls 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.

Program service revenue is recognized as the performance obligations are met, which is typically as access is provided to the PubPub platform or when services such as content, development or design are provided. 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.

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.

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 December 31, 2022.

e. 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.

f. Concentration of 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.

g. 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.

h. 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.

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) and later are subject to examination by applicable taxing authorities.

Note 3 - Pledges Receivable

Pledges receivable are expected in the following periods:

Year ending:	December 31, 2023	\$25,000
	December 31, 2024	25,000
	December 31, 2025	25,000
	December 31, 2026	<u>25,000</u>
Total		<u>\$100,000</u>

The amounts have not been discounted using present value techniques due to the immaterial nature.

Note 4 - Net Assets With Donor Restrictions

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

	<u>December 31, 2022</u>			
	Balance	Contributions	Released	Balance
Program:	<u>7/1/22</u>		from	<u>12/31/22</u>
			Restrictions	
Products and protocols	\$259,569	\$1,000,000	(\$259,569)	\$1,000,000
DocMaps framework	<u>500,000</u>	<u>0</u>	<u>(19,686)</u>	<u>480,314</u>
Total program	759,569	1,000,000	(279,255)	1,480,314
Time restricted	<u>0</u>	<u>100,000</u>	<u>(0)</u>	<u>100,000</u>
Total	<u>\$759,569</u>	<u>\$1,100,000</u>	<u>(\$279,255)</u>	<u>\$1,580,314</u>

Note 5 - Significant Concentration

During the six-month period ended December 31, 2022, the Organization received a contribution from one donor that amounted to 63% 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 December 31, 2022 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:	
Cash and cash equivalents	\$6,892,053
Pledges receivable – due within one year	25,000
Other receivables	<u>14,643</u>
Total financial assets	\$6,931,696
Less amounts not available for general expenditures:	
Donor contributions restricted to specific purposes	<u>(1,480,314)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$5,451,382</u>

Note 7 - Subsequent Events

Subsequent events have been evaluated through November 1, 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 in, the financial statements.