KNOWLEDGE FUTURES, INC.

Audited Financial Statements

June 30, 2021
Independent Auditor’s Report

To the Board of Directors of
Knowledge Futures, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Knowledge Futures, Inc. (the “Organization”), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, 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 from 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 the assessment of the risks of 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.
**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Knowledge Futures, Inc. as of June 30, 2021, 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.

Schall & Ashenfarb
Certified Public Accountants, LLC

February 7, 2022
## Knowledge Futures, Inc.

### Statement of Financial Position

**At June 30, 2021**

<table>
<thead>
<tr>
<th>Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$578,862</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>9,043</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>53,805</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$641,710</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Liabilities and Net Assets</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Liabilities:</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>$62,961</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>4,129</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>67,090</td>
</tr>
</tbody>
</table>

| **Net assets:**                              |       |
| Without donor restrictions                   | 517,068 |
| With donor restrictions (Note 3)             | 57,552 |
| **Total net assets**                         | 574,620 |

| **Total liabilities and net assets**         | $641,710 |

*The attached notes and auditor's report are an integral part of these financial statements.*
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**Cash flows from operating activities:**

- Change in net assets: **$158,759**

**Adjustments to reconcile change in net assets to net cash flows provided by operating activities:**

- Changes in assets and liabilities:
  - Accounts receivable: **(6,043)**
  - Prepaid expenses: **(53,805)**
  - Accounts payable and accrued expenses: **51,861**
  - Deferred revenue: **4,129**

- Total adjustments: **(3,858)**

**Net cash flows provided by operating activities/net increase in cash and cash equivalents:** **154,901**

**Cash and cash equivalents - beginning of year:** **423,961**

**Cash and cash equivalents - end of year:** **$578,862**

No interest or taxes were paid.
Note 1 - Nature of Entity

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 requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Codification (“ASC”) 606. The Organization analyzes each source of revenue to determine that it has a contract with the customer that identifies both the performance obligation and the transaction price. Revenue is recognized when the performance obligation is complete.

   The Organization receives program service revenue that falls under Topic 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’s ASC 958-605 for recording contributions. Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions that do not contain donor restrictions are recorded in the class of net assets without donor restrictions. Contributions that do contain donor restrictions are recorded in the class of net assets with donor restrictions. 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 in the without donor restrictions class of net assets.

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.

Contributions expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value, using risk-adjusted present value techniques.

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, 2021.

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 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. Fixed Assets
The Organization capitalizes fixed assets that exceed predetermined levels and benefit future periods. There were no fixed assets capitalized during the year.

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

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

j. **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.

k. **New Accounting Pronouncements**

FASB issued Accounting Standards Update ("ASU") No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which becomes effective for the June 30, 2022 year. 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 disclosures.

FASB issued 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 these standards will have on future financial statements.
Note 3 - Net Assets With Donor Restrictions

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

<table>
<thead>
<tr>
<th></th>
<th>Balance 7/1/20</th>
<th>Released from Contributions</th>
<th>Balance 6/30/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rapid Reviews COVID-19</td>
<td>$350,000</td>
<td>$0</td>
<td>($315,000)</td>
</tr>
<tr>
<td>Underlay</td>
<td>0</td>
<td>150,000</td>
<td>$(127,448)</td>
</tr>
<tr>
<td>Total</td>
<td>$350,000</td>
<td>$150,000</td>
<td>$(442,448)</td>
</tr>
</tbody>
</table>

Note 4 - 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 5 - 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, 2021 that are available to meet cash needs for general expenditures within one year:

Financial assets at year-end:
- Cash and cash equivalents: $578,862
- Accounts receivable: 9,043

Total financial assets: $587,905

Less amounts not available for general expenditures:
- Donor contributions restricted to specific purposes: (57,552)

Financial assets available to meet cash needs for general expenditures within one year: $530,353

Note 6 - Other Matters

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an impact on the economies and financial markets of many countries, including the geographical area in which the Organization operates. As of the date of these financial statements, many of the travel restrictions and stay at home orders have been lifted; however, supply chains remain impacted. Management continues to monitor the outbreak; however, as of the date of these financial statements, the potential impact cannot be quantified.
Note 7 - Subsequent Events

Subsequent events have been evaluated through February 7, 2022, 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.