

Subject: Financial disclosure
Date: Friday, October 29, 2021 at 5:28:34 PM Eastern Daylight Time
From: Jack Wilenchik
To: Kory Langhofer
CC: Thomas Basile, Jordan Wolff
Attachments: FINAL Compiled Stmt of Revenue and Expense - 10.29.21.pdf, image296407.png

Kory – please find attached, the financial disclosure promised by CNI. Best - Jack



www.wb-law.com

Jack Wilenchik
Attorney at Law
JackW@wb-law.com

The Wilenchik & Bartness Building
2810 North Third Street
Phoenix, Arizona 85004
P 602-606-2816 | F 602-606-2811

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Cyber Ninjas

Phone: (941) 3-NINJAS

Fax: (941) 364-6527

www.CyberNinjas.com

5077 Fruitville Rd #109-421, Sarasota, FL 34232

Arizona State Senate
1700 West Washington, Senate
Phoenix, Arizona 85007-2844

October 28, 2021

Senator Fann:

Thank you for your letter dated October 26, 2021. First, I would like to correct your statement that “[t]o date, we [the Senate] have received approximately 300 records from you, which, according to your prior statements, constitute only an insubstantial percentage of all existing responsive records.”

By “responsive records,” you are referring to the private records that belong to my company or its subcontractors “with a substantial nexus to the Senate’s audit.” I do not know, or have any way of knowing, how many of such records exist. I have previously estimated the number of *all* of my company’s documents for the relevant time period, whether or not they are related to the audit, at ten thousand; and in order to determine which documents have a “substantial nexus” to the audit, my company would have to review all ten thousand of those documents. As a private company, we are not willing to allow the Senate to review all of our company’s documents nor do we believe that constitutes a request for “reasonable” cooperation in accordance with Section 18.5 of the Master Services Agreement.

We appreciate that you are subject to a ruling that apparently concluded, as between you and a third-party plaintiff (American Oversight), that Section 18.5 of our Agreement somehow renders our company’s documents “public records.” We are not bound by that ruling and believe that it is transparently erroneous. As our lawyer has expressed in court briefs, only documents that the government owns may be considered public records. You do not own our company’s records. A demand for our company’s private records is not only “unreasonable” within the meaning of Section 18.5 but also violative of the Fourth and Fourteenth Amendments as well as Article 2, Section 8 of the Arizona Constitution (“Right to privacy”).¹

As we have previously expressed, the request for all documents with a “substantial nexus to the audit” is also ill-defined, and clearly encompasses our company’s private communications and documents regarding its work. You are not reasonably entitled to our company’s private documents, especially on a “public records” claim.

Further, Section 18.5 provides only for reasonable cooperation in the event that either party to the Agreement is subject to a claim regarding the Agreement or its actions taken pursuant to the Agreement. The Senate’s obligations (*vel non*) under public-records law exist independent of the Agreement and arise under A.R.S. §§ 39-121 *et seq.* Claims regarding the Senate’s obligations to provide public records to members of the public do not implicate Section 18.5.

¹ The idea that our company’s records are “public records” simply because someone sued the Senate claiming that our company’s records are public records – and therefore our records are “needed for the defence of such claims” under Section 18.5, such that the Senate may or must obtain them and *make* them public records – is totally circuitous. This logic could be used to render any of our company’s private records “public,” which is not just patently unfair and “unreasonable” within the meaning of Section 18.5, but also clearly contrary to public-records law. *Salt River Pima-Maricopa Indian Cmty. v. Rogers*, 168 Ariz. 531, 534, 815 P.2d 900, 903 (1991); see also *Forsham v. Harris*, 445 U.S. 169 (1980); *Ciba-Geigy Corp. v. Mathews*, 428 F.Supp. 523, 532 (S.D.N.Y.1977).

We further note that Section 18.5 provides that “neither party shall be obligated to incur any expense” in providing “reasonable” cooperation. For our company to review tens of thousands of documents to determine what has a “substantial nexus” to its work – whatever that even means – would clearly cause it to incur substantial expense. Our company has already voluntarily spent considerable time at its own expense in procuring the documents that it has already provided, which is been substantially more than “300 emails.” On Tuesday, we produced over 70,000 images and corresponding tally sheet information. The production of these documents was not required by our Statement of Work or otherwise required under the Master Services Agreement, but we nevertheless produced them in a good-faith effort to try to give you items that might be responsive to your request. If you wish, then we can agree to provide digital images of all ballot images and other items but the Senate must agree to bear the expense of such further production. The Senate will also need to be clear on exactly what it is requesting from us – documents “with a substantial nexus” is problematic for the reasons given above. In our view the Senate already has all critical documents related to the audit, and if the Senate believes otherwise they it must be precise as to what information it is actually requesting.

Finally, we note that in no event does this constitute a breach much less a “material” breach of the contract. This is especially true in light of the 7-day cure period in the Agreement and our open invitation for the Senate to clarify its request. Our company has performed all of its obligations under this contract, and any an alleged issue regarding compliance with Section 18.5 does not go to the heart of the agreement nor would it otherwise justify a suspension of any of the Senate’s material obligations in the performance thereof.

Sincerely,



Doug Logan
Chief Executive Officer
Cyber Ninjas

Cyber Ninjas, Inc.
Statement of Revenue and Expense – Income Tax Basis
Maricopa County Forensic Audit Only
September 15, 2021

Compiled By:
Hackney, Ames & Reichel, PA
128 West Oak Street
Arcadia, FL 34266



HACKNEY, AMES & REICHEL

Certified Public Accountants and Consultants

September 17, 2021

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

To the Board of Directors:

Cyber Ninjas, Inc.
Sarasota, Florida

We have compiled the accompanying Statement of Revenue and Expense – Income Tax Basis (Maricopa County Forensic Audit Only) of Cyber Ninjas, Inc. (an S Corporation) as of the interim period ending September 15, 2021 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. We have not audited or reviewed the accompanying financial statement and, accordingly, do not express an opinion or provide any assurance about whether the financial statements are in accordance with income tax basis of accounting.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the income tax basis of accounting and for designing, implementing, and maintaining internal control relevant to the preparation and for presentation of the financial statements.

Our responsibility is to conduct a compilation in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The objective of a compilation is to assist management in presenting financial information in the form of financial statements without undertaking to obtain or provide any assurance that there are no material modifications that should be made to the financial statements.

Management has elected to omit substantially all disclosures (balance sheet, statement of shareholder equity, and statement of cash flows) ordinarily included in financial statements prepared in accordance with generally accepted accounting principles. If the omitted disclosures were included, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Hackney, Ames & Reichel, PA

ARCADIA
128 West Oak
Arcadia, FL 34266

WAUCHULA
234 South 6th Avenue
Wauchula, FL 33873

P 863.494.6495
F 863.494.9578

P 863.773.6499
F 863.773.9578

WWW.HAR.AZ-SEN-21-0466, 21-0473, 21-0477, 21-0480, 21-0481-I,
21-0472, 21-0476-J, 21-0465, 21-0469-K, 21-0468, 21-0640-L-000004

Cyber Ninjas, Inc.
Statement of Income and Expense - Income Tax Basis
Maricopa County Forensic Audit Only
For the period January 1, 2021 to September 15, 2021

REVENUE	
The America Project	\$ 3,250,000
America's Future	976,514
Voices and Votes	643,495
Defending The Republic	550,000
LDFFTAR/EIFFTAR	280,000
Arizona State Senate	50,000
GROSS REVENUE	\$ 5,750,009
OPERATING EXPENSES	
Payroll and Labor Costs	\$ 5,243,593
Depreciation Expense	1,182,971
Professional Services	627,176
Travel Expenses	543,871
Supplies	253,327
Attorney/Legal Fees	239,471
Research/Artifacts	210,000
Rental	149,513
Miscellaneous	140,511
Background Checks	134,267
Recruiting	88,050
Moving Expenses	62,311
TOTAL OPERATING EXPENSES	\$ 8,875,060
OTHER INCOME	
Third Party Payments to Subcontractors	\$ 1,000,000
NET INCOME/(LOSS)	\$ (2,125,050)

CYBER NINJAS, INC.
NOTES TO FINANCIAL STATEMENTS – INCOME TAX BASIS
MARICOPA COUNTY FORENSIC AUDIT ONLY
SEPTEMBER 15, 2021

NOTE 1 – ACCOUNTS RECEIVABLE

The Company operates on a contract basis with its customers. The costs incurred by the company and its subcontractors are expected to be recovered by reimbursement revenue from various sources shown on the income statement. As of the date of this financial statement, future receipts are not reasonably certain and the standard for recording income and related receivables is not met.

NOTE 2 – ACCOUNTS PAYABLE

The Company operates on a contract basis with its subcontractors. The costs incurred by the company's subcontractors are expected to be reimbursed by the company. As of the date of this financial statement, the balance of accounts payable for Cyber Ninjas, Inc. totaled \$1,900,780. Accounts payable by subcontractor is broken down as follows:

	<u>Amount</u>
Wake Technologies	427,854
CyFIR	587,209
Kolodin	34,594
Stratech	806,687
OG Recruiters	44,436
Total Subcontractor Expense Payable	<u>\$ 1,900,780</u>

NOTE 3 – DEPRECIATION

Internal Revenue Code (IRC) Section 168 permits 100% depreciation of equipment placed in service after September 27, 2017. Therefore, in accordance with the income tax basis of accounting, all equipment purchased and placed in service as of the date of this financial statement has been depreciated in full.

NOTE 4 – FINANCIAL RESULTS

The financial results presented in this compilation do not represent the financial results of Cyber Ninjas, Inc. as a whole, but rather the results of operations as they relate to the Maricopa County Forensic Audit specifically.