

INSTITUTE FOR NONPROFIT NEWS

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2016**

INSTITUTE FOR NONPROFIT NEWS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Institute for Nonprofit News

We have audited the accompanying financial statements of Institute for Nonprofit News ("INN") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related statements of activities, cash flows and statement of functional expenses 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 Institute for Nonprofit News as of December 31, 2016, 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.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California
September 8, 2017

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2016

ASSETS

Current assets:

Cash:

Operations	\$ 925,589
Fiscal Sponsorship	314,277
Total Cash	1,239,866

Other current assets:

Accounts receivable	45,052
Prepaid expenses	467
Total current assets	1,285,385

Equipment and furnishings, net of accumulated depreciation of \$9,273	28,346
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Other assets:

Security deposit	4,069
Total other assets	4,069

Total assets	\$ 1,317,800
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LIABILITIES

Current liabilities:

Accounts payable	\$ 9,761
Accounts payable - Fiscal Sponsorship	5,398
Total current liabilities	15,159

NET ASSETS

Net assets:

Unrestricted	634,357
Temporarily restricted	
Fiscal Sponsorship	268,284
Other	400,000
Total net assets	1,302,641

Total liabilities and net assets	\$ 1,317,800
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See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

UNRESTRICTED NET ASSETS	
Grants and contributions	\$ 833,099
Investment return	39
Other income	465,438
Net assets released from restrictions	1,017,580
Total public support, revenue and reclassifications	<u>2,316,156</u>
Program expenses	1,219,256
Supporting services	
Management and general	160,930
Fund-raising	111,806
Total supporting services	<u>272,736</u>
Total expenses before Fiscal Sponsorship expenses	1,491,992
Fiscal Sponsorship Expenses	<u>390,150</u>
Total expenses	<u>1,882,142</u>
Change in unrestricted net assets	<u>434,014</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and contributions	455,000
Fiscal sponsorship grants and contributions	549,330
Net assets released from restrictions	(627,430)
Net assets released from restrictions - Fiscal Sponsorship	<u>(390,150)</u>
Change in temporarily restricted net assets	<u>(13,250)</u>
CHANGE IN NET ASSETS	420,764
Net assets - beginning of year	<u>881,877</u>
Net assets - end of year	<u><u>\$ 1,302,641</u></u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2016

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 420,764
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Realized (gains) or losses on property and equipment	410
Depreciation	5,801
(Increase) decrease in accounts receivable	12,209
(Increase) decrease in prepaid expenses	16,589
(Increase) decrease in deposits	(2,019)
Increase (decrease) in accounts payable	<u>(111,469)</u>
Net cash provided by (used in) operating activities	<u>342,285</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(1,092)
Proceeds from sale of capital assets	<u>1,000</u>
Net cash provided by (used in) investing activities	<u>(92)</u>

Total increase/(decrease) in cash	342,193
Cash at beginning of year	<u>897,673</u>
Cash at end of year	<u><u>\$ 1,239,866</u></u>

Supplemental information:

Income taxes paid	\$ 0
Interest paid	<u><u>\$ 79</u></u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2016

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2016
Salaries and related expenses	\$ 516,151	\$ 45,202	\$ 49,477	\$ 610,830
Professional fees	124,812	84,365	34,256	243,433
Printing and postage	454	454	454	1,362
Travel and auto	16,850	7,021	4,212	28,083
Utilities	0	(165)	0	(165)
Dues, licenses & education	1,156	250	106	1,512
Telephone	703	0	0	703
Rent	3,529	1,283	1,604	6,416
Insurance	11,554	6,700	255	18,509
Taxes	55,898	4,895	5,358	66,151
Interest	0	79	0	79
Office expense	1,029	343	343	1,715
Employee benefits	325	75	0	400
Computer and internet	40,207	8,500	6,642	55,349
Conferences and meetings	29,294	0	7,323	36,617
Meals and entertainment	1,370	304	1,370	3,044
Grants and awards	412,153	0	0	412,153
Total expenses before depreciation	1,215,485	159,306	111,400	1,486,191
Depreciation	3,771	1,624	406	5,801
Total expenses	<u>\$ 1,219,256</u>	<u>\$ 160,930</u>	<u>\$ 111,806</u>	<u>\$ 1,491,992</u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1 - DESCRIPTION OF ORGANIZATION:

INN was organized to help nonprofit news organizations produce and distribute stories with impact; to achieve cost efficiencies by pooling resources and services, and to develop new revenue streams that will help member organizations become sustainable businesses.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES:

Financial Statement Presentation

INN has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, INN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, INN is required to present a statement of cash flows.

Equipment and Furnishings

All acquisitions of equipment and furnishings in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Purchased equipment and furnishings are stated at cost. Depreciation is computed using the straight-line method with the following estimated useful lives:

Equipment and furnishings	5 to 7 years
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Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributions

Contributions and grants are reported as unrestricted, temporarily restricted or permanently restricted depending on the donor's directives. When a restriction expires temporarily restricted or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

No amounts have been reflected in the financial statements for contributed services. INN generally pays for services requiring specific expertise.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Fiscal Sponsorships

INN effects change not only through the direct impact of its own programs but also by supporting members who have yet to receive their exempt status. One of the ways that INN does this is by becoming a fiscal sponsor to independent projects to further their mission. As a fiscal sponsor, INN receives donations and provides organization infrastructure, legal and tax-exempt status for the projects for a small fee. In 2016, INN was a fiscal sponsor for fourteen projects.

Income Taxes

INN is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that INN is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2016. At December 31, 2016 the corporation's information returns generally remain open for the three preceding years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities (e.g., the fair value of financial instruments, potential impairments to fixed assets and accrued expenses) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts. As of December 31, 2016 INN has no cash equivalents.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

In its normal course of business, INN deposits cash with financial institutions which are insured by the Federal Deposit Insurance Corporation. The balance in these accounts will, at times, exceed the insurance limitation. It is Management's policy to review on an ongoing basis the financial condition of the financial institutions in which funds are deposited. At December 31, 2016, the Company had \$817,698 that exceeds amounts covered by insurance. Management believes that there is no significant risk with respect to such deposits.

NOTE 3 – FIXED ASSETS:

Fixed assets consists of the following at December 31:

	<u>2016</u>
Equipment and furnishings	\$ 17,619
Domain name	20,000
Less: accumulated depreciation and amortization	<u>(9,273)</u>
	<u>\$ 28,346</u>

NOTE 4 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2016; there were no unusual items accrued.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

714 W. Olympic Blvd., Los Angeles, CA

On October 1, 2016, the Company entered into an original 12 month lease with Petroleum Holdings, LLC. The monthly lease is \$1,239.75. Rental expense on the lease was \$6,416 for 2016.

NOTE 6 – FISCAL SPONSORSHIPS:

In 2016, INN was a fiscal sponsor for the following projects:

- Tucson Sentinel, a current member and local independent nonprofit news organization, offers professional reporting and community conversation on issues that affect Tucson.
- The Global Center for Investigative Journalism (GCIJ) is an international organization dedicated to advancing investigative journalism around the world through networking

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - FISCAL SPONSORSHIPS: (Continued)

strategies, collaborations, and capacity-building among investigative reporting organizations.

- True Speech, an independent, nonpartisan organization, provides voters with objective, timely, and comprehensive fact-checks of advertisements and statements from candidates, elected officials and third parties.
- Inquire First (HashTag30) is a national news organization committed to giving ordinary people the information and tools they need to have a voice in public policy debates, by producing deeply reported projects on three to five under-reported topics annually.
- Alabama Initiative for Independent Journalism is a nonprofit, non-partisan organization serving the civic good of Birmingham and Alabama by supporting journalism and citizen engagement.
- New Hampshire Center for Public Interest Journalism, a nonprofit organization, publishes unbiased investigative news about government and matters of public interest in New Hampshire.
- Montana Center for Investigative Reporting is an independent, nonprofit media organization dedicated to producing statewide accountability journalism in Montana.
- The War House is an intuitive, database-driven, nonprofit investigative journalism outlet focused on the Department of Defense, Department of Veterans Affairs, and the U.S. Armed Forces.
- Sembra Media is an online community and a directory of startups dedicated to helping entrepreneurs Spanish digital media to be more sustainable.
- Rivard Report, a nonprofit online news outlet in San Antonio, publishes public interest journalism that informs citizens, promotes greater citizen participation in community, and reflects the city's unique character and culture.
- Solitary Watch is a watchdog project that investigates, documents, and disseminates information on the widespread use of solitary confinement out of the shadows and into the light of the public square. Their mission is to provide the public - as well as practicing attorneys, legal scholars, law enforcement and corrections officers, policymakers, educators, advocates, people in prison and their families - with the first centralized source of unfolding news, original reporting, firsthand accounts, and background research on solitary confinement in the United States.
- CivicLab is a new co-working space in the West Loop at 114 N. Aberdeen Street dedicated collaboration, education and innovation for civic engagement. Their call to service is – Investigate. Educate. Activate. CivicLab supports civic information & innovation through projects like the TIF Illumination Project.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6 - FISCAL SPONSORSHIPS: (Continued)

- Honolulu Civil Beat is a nonprofit newsroom that produces enterprise and investigative journalism in the public interest. Their goal is to challenge their leaders to do better. They are the watchdogs of the public's trust and they take seriously the mission to educate their citizens on important public issues. They provide a forum for a broad range of news, views and commentary where citizens can debate the issues in a civil manner, free from cheap shots and personal swipes. Their long-term goal is to produce journalism with a purpose, to stimulate positive change. They do not align with political or special interest groups and adhere to the strictest journalistic standards and ethics.
- The Montana Free Press' coverage spans the Big Sky State with an emphasis on government, politics, natural resources, energy, social justice, health care, and the environment.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events have been evaluated through September 8, 2017, the date the financial statements were available to be issued