

INSTITUTE FOR NONPROFIT NEWS

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

INSTITUTE FOR NONPROFIT NEWS

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 10

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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, 2017, 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.

Auditors' 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, 2017, 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 & Cousino LLP

Thousand Oaks, California
August 3, 2018

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current assets:

Cash:

Operations	\$ 1,279,810
Fiscal Sponsorship	914,640
Total Cash	2,194,450

Other current assets:

Accounts receivable	27,876
Prepaid expenses	12,035
Total current assets	2,234,361

Equipment and furnishings, net of accumulated depreciation of \$14,390

26,406

Other assets:

Security deposit	4,069
Total other assets	4,069

Total assets	\$ 2,264,836
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LIABILITIES

Current liabilities:

Accounts payable	\$ 42,448
Total current liabilities	42,448

NET ASSETS

Net assets:

Unrestricted	932,480
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Temporarily restricted

Fiscal Sponsorship	874,044
Other	415,864
	1,289,908

Total net assets	2,222,388
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Total liabilities and net assets	\$ 2,264,836
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See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

UNRESTRICTED NET ASSETS	
Grants and contributions	\$ 710,315
Membership dues and program service fees	35,049
Investment return	84
Other income	570,242
Net assets released from restrictions	<u>3,774,308</u>
Total public support, revenue and reclassifications	<u>5,089,998</u>
Program expenses	1,093,432
Supporting services	
Management and general	103,499
Fund-raising	134,772
Total supporting services	<u>238,271</u>
Total expenses before Fiscal Sponsorship expenses	1,331,703
Fiscal Sponsorship Expenses	<u>3,460,172</u>
Total expenses	<u>4,791,875</u>
Change in unrestricted net assets	<u>298,123</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and contributions	330,000
Fiscal sponsorship grants and contributions	4,065,932
Net assets released from restrictions	(314,136)
Net assets released from restrictions - Fiscal Sponsorship	<u>(3,460,172)</u>
Change in temporarily restricted net assets	<u>621,624</u>
CHANGE IN NET ASSETS	919,747
Net assets - beginning of year	<u>1,302,641</u>
Net assets - end of year	<u><u>\$ 2,222,388</u></u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 919,747

Adjustments to reconcile change in net assets to
net cash provided by (used in) operating activities:

Depreciation	5,117
(Increase) decrease in accounts receivable	17,176
(Increase) decrease in prepaid expenses	(11,568)
Increase (decrease) in accounts payable	27,289
	27,289

Net cash provided by (used in) operating activities	957,761
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CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets	(3,177)
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Net cash provided by (used in) investing activities	(3,177)
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Total increase/(decrease) in cash	954,584
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Cash at beginning of year	1,239,866
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Cash at end of year	\$ 2,194,450
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Supplemental information:

Income taxes paid	\$ 0
Interest paid	\$ 4

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2017
Salaries and related expenses	\$ 666,204	\$ 38,314	\$ 50,678	\$ 755,196
Professional fees	218,930	35,824	47,353	302,107
Miscellaneous	1,328	1,329	1,328	3,985
Travel and conference	54,964	10,738	13,989	79,691
Dues, licenses & education	1,341	0	1,341	2,682
Telephone	199	200	199	598
Rent	9,708	2,682	3,548	15,938
Insurance	5,559	1,986	397	7,942
Taxes	4,671	0	4,671	9,342
Interest	0	4	0	4
Office expense	2,513	1,828	229	4,570
Employee benefits and payroll expenses	63,785	3,666	4,851	72,302
Technology expenses	58,524	5,432	5,432	69,388
Marketing	773	0	293	1,066
Meals and entertainment	252	63	105	420
Grants and awards	1,355	0	0	1,355
Total expenses before depreciation	1,090,106	102,066	134,414	1,326,586
Depreciation	3,326	1,433	358	5,117
Total expenses	<u>\$ 1,093,432</u>	<u>\$ 103,499</u>	<u>\$ 134,772</u>	<u>\$ 1,331,703</u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017

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 2017, 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, 2017. At December 31, 2017 the Organization'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, 2017 INN has no cash equivalents.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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, 2017, the Company had \$1,794,037 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 consist of the following at December 31:

	<u>2017</u>
Equipment & furnishings	\$ 20,796
Domain name	20,000
Less: Accumulated depreciation & amortization	<u>(14,390)</u>
	<u>\$ 26,406</u>

NOTE 4 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2017; 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 with another 12 month extension on October 1, 2017 lease with Petroleum Holdings, LLC. The monthly lease is \$1,276.94. Rental expense on the lease was \$13,748.82 for 2017.

NOTE 6 - FISCAL SPONSORSHIPS:

In 2017, INN was a fiscal sponsor for the following projects:

- 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.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - FISCAL SPONSORSHIPS: (Continued)

- 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.
- Montana Center for Investigative Reporting is an independent, nonprofit media organization dedicated to producing statewide accountability journalism in Montana.
- The War Horse 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.
- 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.
- 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.
- 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.
- International Consortium of Investigative Journalists (aka WIRE) has its own reporting team as well as a global network of reporters and media organization who work together to investigate the most important stories in the world. Their network of members

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

NOTE 6 - FISCAL SPONSORSHIPS: (Continued)

encompasses more than 220 of the best investigative reporters from 83 countries and territories. They also partner with more than 100 media organizations to collaborate on groundbreaking investigations.

- Migratory Notes is a weekly guide to rapidly changing immigration issues for journalists, policymakers, lawyers, academics, advocates, and immigrant themselves.
- News Revenue Hub's goal is to help news organizations build greater sustainability. They work with their clients to build a structure around membership using the nonprofit model. They also train organizations on best practices and automate time consuming processes. They also build software tools and work with clients to conduct experiments.
- Voices of Monterey Bay is a bilingual news organization serving Monterey and Santa Cruz counties (California). It was launched in 2017 by veteran local journalists who believe the region needs a new journalist vision, while providing a central location for people to express themselves or to report news from their neighborhoods.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 3, 2018, the date the financial statements were available to be issued