

INSTITUTE FOR NONPROFIT NEWS

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2019**

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 - 13

DOUGLAS & BHAGAT CPA SERVICES, INC.

CERTIFIED PUBLIC ACCOUNTANTS

100 E. THOUSAND OAKS BLVD., SUITE 202

THOUSAND OAKS, CA 91360

(805) 409-7708 FAX (805) 852-1341

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, 2019, 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, 2019, 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.

Douglas & Bhagat CPA Services, Inc.

Thousand Oaks, California
July 24, 2020

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019

ASSETS

Current assets:

Cash	\$ 2,633,562
Accounts receivable	47,902
Prepaid expenses	56,052
Total current assets	2,737,516

Restricted deposits: Fiscal Sponsorship	633,594
---	---------

Equipment and furnishings, net of accumulated depreciation of \$25,598	23,426
--	--------

Other assets:

Security deposit	4,542
Total other assets	4,542

Total assets	\$ 3,399,078
--------------	--------------

LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 31,922
Accounts payable - Fiscal Sponsorship	33,992
Deferred revenue	50,513
Total current liabilities	116,427

Net assets:

Without donor restrictions	
Undesignated	267,454
Board-designated operating reserve	1,029,000
Total without donor restrictions	1,296,454

With donor restrictions	1,986,197
	1,986,197

Total net assets	3,282,651
------------------	-----------

Total liabilities and net assets	\$ 3,399,078
----------------------------------	--------------

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS:

Grants and contributions	\$ 854,188
Membership dues and program service fees	56,572
Investment return	13,711
Other income	644,549
Total public support, revenue and reclassifications without donor restrictions	1,569,020
Net assets released from restrictions - satisfaction of program restriction	2,583,193
Total public support, revenue and reclassifications	4,152,213
 Program expenses	 1,984,265
Supporting services	
Management and general	279,303
Fund-raising	238,154
Total supporting services	517,457
Total expenses before Fiscal Sponsorship expenses	2,501,722
 Fiscal Sponsorship Expenses	 1,317,459
Total expenses	3,819,181
Increase (decrease) in net assets without donor restrictions	333,032

CHANGES IN ASSETS WITH DONOR RESTRICTIONS:

Grants and contributions	1,709,085
Fiscal sponsorship grants and contributions	5,369,663
Funds released to separated Fiscally Sponsored Organizations	(5,756,448)
Net assets released from restrictions	(1,265,734)
Net assets released from restrictions - Fiscal Sponsorship	(1,317,459)
Increase (decrease) in net assets with donor restrictions	(1,260,893)
 Increase (decrease) in total net assets	 (927,861)
 Net assets - beginning of year	 4,210,512
 Net assets - end of year	 \$ 3,282,651

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ (927,861)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	5,872
Change in operating assets and liabilities	
(Increase) decrease in accounts receivable	(37,109)
(Increase) decrease in prepaid expenses	(46,902)
(Increase) decrease in deposits	(473)
Increase (decrease) in accounts payable	(62,519)
Increase (decrease) in deferred income	50,513
	(1,018,479)

CASH FLOWS FROM INVESTING ACTIVITIES:

Decrease in deposits restricted for fiscal programs	1,778,738
Purchase of fixed assets	(5,228)
	1,773,510

Total increase/(decrease) in cash	755,031
Cash at beginning of year	1,878,531
Cash at end of year	\$ 2,633,562

Supplemental information:

Income taxes paid	\$ 0
Interest paid	\$ 0

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2019
Salaries and related expenses	\$ 1,012,315	\$ 106,749	\$ 141,675	\$ 1,260,739
Professional fees	599,506	75,264	66,730	741,500
Miscellaneous	0	156	0	156
Printing and postage	2,016	1,324	0	3,340
Travel and conference	106,753	26,998	7,483	141,234
Dues, licenses & education	5,329	546	4,255	10,130
Telephone	153	605	0	758
Rent	11,591	9,273	2,319	23,183
Insurance	5,729	6,618	0	12,347
Fees	0	160	0	160
Office expense	7,891	5,777	595	14,263
Employee benefits and payroll expenses	97,224	12,742	12,223	122,189
Technology expenses	38,740	14,986	1,297	55,023
Marketing	15,851	1,519	189	17,559
Conferences and meetings	77,206	14,461	692	92,359
Meals and entertainment	271	639	0	910
Total expenses before depreciation	1,980,575	277,817	237,458	2,495,850
Depreciation	3,690	1,486	696	5,872
Total expenses	<u>\$ 1,984,265</u>	<u>\$ 279,303</u>	<u>\$ 238,154</u>	<u>\$ 2,501,722</u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

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

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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
---------------------------	--------------

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.

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, 2019

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. The funds received for the projects are restricted and held in a separate bank account. In 2019, INN is a fiscal sponsor for twenty-four projects.

During 2019, five of INN's fiscally sponsored organizations received their 501(c)(3) determination from the Internal Revenue Service and subsequently ended their fiscal sponsorship relationship with INN. As a result, INN disbursed remaining held funds to the organizations in accordance with their separation agreements. The total funds released to separated fiscally sponsored organizations consist of the following at December 31:

	<u>2019</u>
American Journalism Project	\$ 5,418,874
Block Club Chicago	223,659
Montana Free Press	91,396
San Jose Spotlight	10,745
Sembra Media	<u>11,774</u>
Total funds released to separated Fiscally Sponsored Organizations	<u>\$ 5,756,448</u>

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, 2019. At December 31, 2019 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.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

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, 2019 INN has no cash equivalents.

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, 2019, the Company had \$2,654,849 that exceeds amounts covered by insurance. Management believes that there is no significant risk with respect to such deposits.

Change in Accounting Principle

The Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended, supersedes, or replaces nearly all revenue recognition guidance under accounting principles generally accepted in the United States of America. These standards establish a new contract and control-based revenue recognition model, change the basis of deciding when revenue is recognized overtime or at a point in time, and expand disclosures about revenue. INN has implemented Topic 606 and as adjusted, if applicable, all the presentation in these financial statements accordingly. The implementation had no impact on the previously reported net assets.

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The standard assists entities in evaluating whether transactions should be accounted for as contribution or exchange transactions and determine whether a contribution is conditional. INN has implemented the provisions of ASU 2018-08 applicable to contributions received in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on the net assets in connection with our implementation of ASU 2018-08.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 3 – ACCOUNTS RECEIVABLE:

Accounts receivable is due and receivable in less than one year.

NOTE 4 – FIXED ASSETS:

Fixed assets consist of the following at December 31:

	2019
Equipment & furnishings	\$ 29,024
Domain name	20,000
Less: Accumulated Depreciation & amortization	(25,598)
	\$ 23,426

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS:

	2019
INN - Purpose and time restriction	
Purpose restriction:	
Amplify Midwest Project	\$ 61,426
Collaborative reporting on Mayor Lightfoot's 1st Yr	50,000
Great Lakes Changing Climate	10,292
Insurance Resources for Nonprofit News	131,230
Patrons of Trust: Grow support for NP newrooms	25,362
Support INN Days	61,000
Training, DEI & Member Network Growth	521,572
Total purpose restriction	860,882
Cash Reserve	250,000
Time restricted	300,000
Total INN Purpose and time restriction	1,410,882
Fiscal Sponsorship	575,315
Net assets with donor restrictions	\$ 1,986,197

NOTE 6 – REVENUE FROM CONTRACTS WITH CUSTOMERS:

INN's membership dues include access to specialized professional capacity-building and coaching in revenue generation, nonprofit leadership, audience development, and guidance on ethical issues. Other benefits include cost-savings services offered by INN and trusted vendors including charity registration discounts, media insurance, technology support and more. The promise to deliver all of the performance obligations included in the membership dues are distinct; however INN has determined that each individual benefit is not material in the context of the membership agreement and should be accounted for as single performance obligation. All

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 – REVENUE FROM CONTRACTS WITH CUSTOMERS: (Continued)

the membership benefits are received simultaneously, and the membership performance obligation is satisfied over time. Accordingly, benefits are recognized ratably over the membership period. The following table provides information about the changes to deferred revenue:

	<u>2019</u>
Deferred revenue, beginning	\$ -
Change in deferred revenue	<u>50,513</u>
Deferred revenue, ending	<u>\$ 50,513</u>

NOTE 7 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2019; there were no unusual items accrued.

NOTE 8 – LEASE COMMITMENTS:

714 W. Olympic Blvd. Suite 930-931, Los Angeles, CA

On October 1, 2016, the Company entered into an original 12-month lease with Petroleum Holdings, LLC. INN signed a 12-month extension on this lease on October 1, 2017, July 12, 2018, and August 19, 2019. The lease expires on September 31, 2020. The monthly lease is \$1,354.71.

714 W. Olympic Blvd. Suite 929, Los Angeles, CA

On February 5, 2016, the Company entered into an original 7-month lease with Petroleum Holdings, LLC. INN signed a 12-month extension on this lease on August 19, 2019. The lease expires on September 31, 2020. The monthly lease is \$486.68.

Rental expense on the leases was \$23,183 for 2019.

NOTE 9 - FISCAL SPONSORSHIPS:

In 2019, INN was a fiscal sponsor for the following projects:

- American Journalism Project (AJP) is a venture philanthropy nonprofit organization focused on local news to build a new public service media that is governed by, sustained by, and looks like the public it serves. AJP is focused on growing and sustaining an independent local press by building business and technology capacity in local Civic News Organizations.
- Block Club Chicago is a nonprofit, digital-first news organization dedicated to delivering reliable, nonpartisan, and essential coverage of Chicago's diverse neighborhoods.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 - FISCAL SPONSORSHIPS: (Continued)

- Breckenridge Texan is a nonprofit community news website dedicated to providing accurate, high-quality, current, local journalism to the residents of Breckenridge, Texas, and the surrounding area.
- Cityside publishes a group of local news sites in the Bay Area. Originally founded as Berkeleyside, the organization launched an additional offshoot, Oaklandside, in June 2020 and rebranded the organization as Cityside. They plan to launch more local sites in the future.
- Documented is an independent and non-partisan news organization dedicated exclusively to covering immigration as it impacts New Yorkers and their neighbors, providing original reporting and consistent, informed coverage.
- Grey Matter Media is a nonprofit news organization providing creative, innovative, entertaining, and humanizing coverage of issues affecting central Ohioans.
- The Hartford Guardian is an award-winning hyper-local nonprofit and nonpartisan news publication in Connecticut that aims to build communities through civic journalism.
- Independent Investigative Network produces video and film content uncovering and exposing abuses of power, corruption, and betrayal of public trust using investigative journalism to spur change that improve lives and protects our democracy.
- LocalStandrd, a news organization devoted to bringing NYC neighborhoods local news, information, and accountability journalism.
- Migratory Notes is a weekly guide to rapidly changing immigration issues for journalists, policymakers, lawyers, academics, advocates, and immigrants themselves.
- Mississippi Center for Investigative Reporting, an investigative journalism outlet covering the criminal justice system, public education funding, prisons, public corruption, political cronyism, generational poverty, health woes, racial disparities, and other issues important to Mississippi citizens.
- 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.
- The North Carolina Local News Lab, a collaborative project between national and local partners to help strengthen local news in North Carolina. Through a shared fund, the Local News Lab connects news ecosystem players and helps support capacity building. The Lab also serves as a learning environment for funders to get more comfortable funding news.
- Open Campus Media, a nonpartisan news organization covering higher education for the public.
- The Rochester Beacon is a nonprofit news organization serving as a source and forum for stories and perspectives that are rooted in intellectual openness and drive informed public action.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 - FISCAL SPONSORSHIPS: (Continued)

- San Jose Spotlight is the South Bay’s first nonprofit, community-supported digital news organization, changing the face of journalism by providing a source for independent, ethical, and unbiased political news coverage.
- Sembra Media is an online community and a directory of startups dedicated to helping entrepreneur’s Spanish digital media to be more sustainable.
- 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.
- 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.
- Underscore Media Collaboration specializes in collaborative journalism, partnering with established media organizations to leverage resources across newsrooms and produce tough-to-fund, important stories that really matter.
- Virginia Center for Investigative Journalism, an independent, nonprofit newsroom, drawing on the resources of veteran journalists and advanced university students to cover stories vital to the state.
- 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.
- 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. The Armed Forces.
- WEHOville, a local news organization covering the West Hollywood neighborhood in Los Angeles, California.

NOTE 10 – LIQUIDITY AND AVAILABILITY:

INN strives to maintain liquid financial assets sufficient to cover 90 days of general expenses. Amounts in excess of operations liquidity needs are invested in various highly liquid saving and money market accounts.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 10 – LIQUIDITY AND AVAILABILITY: (Continued)

Additionally, INN considers net assets with donor restrictions for use in current programs that are ongoing, major, and central to its annual operations to be available to meet cash needs for general expenditures. The governing Board’s designated operating reserves are also available for general expenditures.

The Financial assets that are available for general expenditures within one year of the financial statements of financial position comprise the following:

	<u>2019</u>
Cash and cash equivalents	<u>\$ 2,633,562</u>
Accounts receivable	<u>47,902</u>
	<u><u>\$ 2,681,464</u></u>

NOTE 11 - EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events have been evaluated through July 24, 2020, the date the financial statements were available to be issued.