

**INSTITUTE FOR NONPROFIT NEWS**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
DECEMBER 31, 2015**

# 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 - 9

# HINRICHER, DOUGLAS & PORTER LLP

CERTIFIED PUBLIC ACCOUNTANTS

VENTURA OFFICE  
1891 GOODYEAR AVENUE, SUITE 614  
VENTURA, CA 93003

3275 OLD CONEJO ROAD  
THOUSAND OAKS, CA 91320  
(805) 496-1883 FAX (805) 496-5602

ENCINO OFFICE  
16055 VENTURA BOULEVARD, SUITE 1215  
ENCINO, CA 91436-2612

WWW.HDP-CPAS.COM

## 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, 2015, 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, 2015, 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  
July 18, 2016

INSTITUTE FOR NONPROFIT NEWS  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2015

ASSETS

Current assets:

Cash:

Operations	\$ 675,338
Fiscal Sponsorship	222,335
Total Cash	897,673

Other current assets:

Accounts receivable	57,261
Prepaid expenses	17,056
Total current assets	971,990

Equipment and furnishings, net of accumulated depreciation of \$11,545	34,465
--	--------

Other assets:

Security deposit	2,050
Total other assets	2,050

Total assets	\$ 1,008,505
--------------	--------------

LIABILITIES

Current liabilities:

Accounts payable	\$ 53,992
Accounts payable - Fiscal Sponsorship	72,636
Total current liabilities	126,628

Total liabilities	126,628
-------------------	---------

NET ASSETS

Net assets:

Unrestricted	200,343
Temporarily restricted	
Fiscal Sponsorship	109,104
Other	572,430
Total net assets	881,877

Total liabilities and net assets	\$ 1,008,505
----------------------------------	--------------

*See accompanying auditors' report and notes to financial statements.*

INSTITUTE FOR NONPROFIT NEWS  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015

UNRESTRICTED NET ASSETS	
Grants and contributions	\$ 893,834
Investment return	59
Other income	325,539
Net assets released from restrictions	<u>1,072,532</u>
Total public support, revenue and reclassifications	<u>2,291,964</u>
Program expenses	1,063,260
Supporting services	
Management and general	467,747
Fund-raising	<u>121,025</u>
Total supporting services	<u>588,772</u>
Total expenses before Fiscal Sponsorship expenses	1,652,032
Fiscal Sponsorship Expenses	<u>743,179</u>
Total expenses	<u>2,395,211</u>
Change in unrestricted net assets	<u>(103,247)</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and contributions	615,000
Fiscal sponsorship grants and contributions	675,421
Net assets released from restrictions	(329,353)
Net assets released from restrictions - Fiscal Sponsorship	<u>(743,179)</u>
Change in temporarily restricted net assets	<u>217,889</u>
CHANGE IN NET ASSETS	114,642
Net assets - beginning of year	<u>767,235</u>
Net assets - end of year	<u><u>\$ 881,877</u></u>

*See accompanying auditors' report and notes to financial statements.*

INSTITUTE FOR NONPROFIT NEWS  
STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 114,642

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

Depreciation	5,278
(Increase) decrease in accounts receivable	(20,903)
(Increase) decrease in prepaid expenses	11,749
(Increase) decrease in deposits	(350)
Increase (decrease) in accounts payable	71,460
Increase (decrease) in accrued expenses	(800)

Net cash provided by (used in) operating activities 181,076

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets (26,885)

Net cash provided by (used in) investing activities (26,885)

Total increase/(decrease) in cash 154,191

Cash at beginning of year 743,482

Cash at end of year \$ 897,673

Supplemental information:

Income taxes paid	<u>\$ 0</u>
Interest paid	<u><u>\$ 600</u></u>

*See accompanying auditors' report and notes to financial statements.*

INSTITUTE FOR NONPROFIT NEWS  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED DECEMBER 31, 2015

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2015
Salaries and related expenses	\$ 459,045	\$ 240,810	\$ 52,677	\$ 752,532
Professional fees	130,932	122,005	44,636	297,573
Printing and postage	481	253	55	789
Travel and auto	13,186	10,397	1,775	25,358
Utilities	727	573	98	1,398
Dues, licenses & education	2,243	1,423	647	4,313
Telephone	1,891	1,490	255	3,636
Rent	13,450	10,604	1,811	25,865
Insurance	13,809	10,888	1,859	26,556
Taxes	34,010	26,816	4,578	65,404
Interest	312	246	42	600
Office expense	1,815	1,431	244	3,490
Employee benefits	18,620	9,767	2,137	30,524
Computer and internet	57,861	8,572	5,000	71,433
Marketing	4,355	645	376	5,376
Conferences and meetings	34,805	18,258	3,994	57,057
Meals and entertainment	3,325	1,744	382	5,451
Repairs and maintenance	631	331	72	1,034
Grants and awards	268,365	0	0	268,365
Total expenses before depreciation	1,059,863	466,253	120,638	1,646,754
Depreciation	3,397	1,494	387	5,278
Total expenses	<u>\$ 1,063,260</u>	<u>\$ 467,747</u>	<u>\$ 121,025</u>	<u>\$ 1,652,032</u>

*See accompanying auditors' report and notes to financial statements.*

INSTITUTE FOR NONPROFIT NEWS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

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

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, 2015

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 2015, INN was a fiscal sponsor for ten 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, 2015. At December 31, 2015 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, 2015 INN has no cash equivalents.

**INSTITUTE FOR NONPROFIT NEWS**  
**NOTES TO FINANCIAL STATEMENTS**  
DECEMBER 31, 2015

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, 2015, the Company had \$478,182 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>2015</u>
Equipment and furnishings	\$ 26,010
Domain name	20,000
Less: accumulated depreciation and amortization	<u>(11,545)</u>
	<u>\$ 34,465</u>

NOTE 4 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2015; there were no unusual items accrued.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

17514 Ventura Boulevard, Suite 103, Encino, CA

On March 31, 2011, the Company entered into an original 26 month lease that was extended for 36 months with 17514 Ventura Boulevard Building, LLC. The extended lease monthly rent begins at \$2,617 and increases over the term of the lease. Rental expense on the lease was \$32,838 for 2015. INN subleases out a portion of the space for \$765 per month on a month to month basis but decreased to \$471.59 in July. The lease was to expire June 30, 2016 but INN was able to cancel it as of January 31, 2016. Future lease commitments are \$2,777.

INSTITUTE FOR NONPROFIT NEWS  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**NOTE 6 – FISCAL SPONSORSHIPS**

INN is 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 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 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.
- 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.

**NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS:**

Subsequent events have been evaluated through July 18, 2016, the date the financial statements were available to be issued.