

INSTITUTE FOR NONPROFIT NEWS

**INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2018**

INSTITUTE FOR NONPROFIT NEWS

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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, 2018, 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, 2018, 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
September 24, 2019

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

Current assets:

Cash	\$ 1,878,531
Accounts receivable	10,793
Prepaid expenses	9,150
Total current assets	1,898,474

Restricted deposits: Fiscal Sponsorship	2,412,332
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Equipment and furnishings, net of accumulated depreciation of \$19,726	24,070
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Other assets:

Security deposit	4,069
Total other assets	4,069

Total assets	\$ 4,338,945
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 36,255
Accounts payable - Fiscal Sponsorship	92,178
Total current liabilities	128,433

Total liabilities	128,433
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Net assets:

Without donor restrictions	
Undesignated	384,422
Board-designated operating reserve	579,000
Total without donor restrictions	963,422

With donor restrictions	3,247,090
Total net assets	4,210,512

Total liabilities and net assets	\$ 4,338,945
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See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

CHANGES IN ASSETS WITHOUT DONOR RESTRICTIONS:

Grants and contributions	\$ 570,634
Membership dues and program service fees	51,699
Investment return	41
Other income	602,768
Total public support, revenue and reclassifications without donor restrictions	1,225,142
Net assets released from restrictions - satisfaction of program restriction	2,283,896
Total public support, revenue and reclassifications	3,509,038
 Program expenses	 1,312,568
Supporting services	
Management and general	176,443
Fund-raising	133,522
Total supporting services	309,965
Total expenses before Fiscal Sponsorship expenses	1,622,533
 Fiscal Sponsorship Expenses	 1,855,563
Total expenses	3,478,096
Increase (decrease) in net assets without donor restrictions	30,942

CHANGES IN ASSETS WITH DONOR RESTRICTIONS:

Grants and contributions	980,000
Fiscal sponsorship grants and contributions	3,261,078
Net assets released from restrictions	(428,333)
Net assets released from restrictions - Fiscal Sponsorship	(1,855,563)
Increase (decrease) in net assets with donor restrictions	1,957,182
 Increase (decrease) in total net assets	 1,988,124
 Net assets - beginning of year	 2,222,388
 Net assets - end of year	 \$ 4,210,512

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ 1,988,124

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

Depreciation 5,337

Change in operating assets and liabilities

(Increase) decrease in accounts receivable 17,083

(Increase) decrease in prepaid expenses 2,885

Increase (decrease) in accounts payable 85,985

Net cash provided by (used in) operating activities 2,099,414

CASH FLOWS FROM INVESTING ACTIVITIES:

Increase in deposits restricted for fiscal programs (1,497,692)

Purchase of fixed assets (3,001)

Net cash provided by (used in) investing activities (1,500,693)

Total increase/(decrease) in cash 598,721

Cash at beginning of year 1,279,810

Cash at end of year \$ 1,878,531

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, 2018

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2018
Salaries and related expenses	\$ 746,768	\$ 86,531	\$ 65,240	\$ 898,539
Professional fees	273,649	43,110	52,440	369,199
Printing and postage	694	878	0	1,572
Travel and conference	69,971	12,350	3,474	85,795
Dues, licenses & education	9,144	130	4,143	13,417
Telephone	0	591	0	591
Rent	8,785	6,348	1,544	16,677
Insurance	3,367	8,515	0	11,882
Taxes	0	160	0	160
Office expense	14,679	1,934	503	17,116
Employee benefits and payroll expenses	70,661	9,726	2,601	82,988
Technology expenses	31,572	3,714	2,773	38,059
Marketing	7,997	155	328	8,480
Conferences and meetings	42,000	200	0	42,200
Meals and entertainment	32	519	0	551
Bad debt	26,878	0	0	26,878
Grants and awards	3,092	0	0	3,092
Total expenses before depreciation	1,309,289	174,861	133,046	1,617,196
Depreciation	3,279	1,582	476	5,337
Total expenses	<u>\$ 1,312,568</u>	<u>\$ 176,443</u>	<u>\$ 133,522</u>	<u>\$ 1,622,533</u>

See accompanying auditors' report and notes to financial statements.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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
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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.

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, 2018

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 2018, INN is a fiscal sponsor for nineteen 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, 2018. At December 31, 2018 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, 2018 INN has no cash equivalents.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Company had \$2,736,951 that exceeds amounts covered by insurance. Management believes that there is no significant risk with respect to such deposits.

Change in Accounting Principle

On August 18, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements for Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The INN implemented the ASU 2016-14 and has adjusted the presentation in these financial statements accordingly. The implementation had no impact on previously reported net assets.

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:

	<u>2018</u>
Equipment & furnishings	\$ 23,796
Domain name	20,000
Less: Accumulated Depreciation & amortization	<u>(19,726)</u>
	<u>\$ 24,070</u>

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS:

	2018
INN - Purpose and time restriction	
Purpose restriction:	
Amplify Midwest Project	\$ 121,539
Advancement of journalism excellence	34,321
Building new network of support for members' newsrooms	32,906
Training event for public service news leaders	78,765
Total purpose restriction	267,531
Cash Reserve	250,000
Time restricted	450,000
Total INN Purpose and time restriction	967,531
Fiscal Sponsorship	2,279,559
Net assets with donor restrictions	\$3,247,090

NOTE 6 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2018; there were no unusual items accrued.

NOTE 7 – LEASE COMMITMENTS:

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. On July 12, 2018 signed extension to this lease. The lease expires on September 31, 2019. The monthly lease is \$1,315.25. Rental expense on the lease was \$16,461 for 2018.

NOTE 8 - FISCAL SPONSORSHIPS:

In 2018, 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.
- 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.

INSTITUTE FOR NONPROFIT NEWS
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 - FISCAL SPONSORSHIPS: (Continued)

- 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.
- International Consortium of Investigative Journalists (aka WIRE) has its own reporting team as well as a global network of reporters and media organizations who work together to investigate the most important stories in the world. Their network of members encompass 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 immigrants 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.
- 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.
- 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.

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NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 - FISCAL SPONSORSHIPS: (Continued)

- 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.
- 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.
- 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.
- 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.

NOTE 9 - EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through September 24, 2019, the date the financial statements were available to be issued.