



LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

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December 31, 2020 and 2019

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Independent Auditor's Report

To the Board of Directors of
Local Independent Online News Publishers Inc.:

Report on the Financial Statements

We have audited the accompanying financial statements of Local Independent Online News Publishers Inc. (an Arizona corporation, not for profit) which comprise the statements of financial position as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits 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 Local Independent Online News Publishers Inc. as of December 31, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
May 20, 2021

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.Statements of Financial Position
December 31, 2020 and 2019

Assets	2020	2019
Current Assets:		
Cash	\$ 2,666,123	\$ 257,115
Accounts and contracts receivable	249,050	12,500
Grants receivable	-	150,000
Prepaid expenses	7,433	8,618
Total assets	<u>\$ 2,922,606</u>	<u>\$ 428,233</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 12,633	\$ 4,580
Accrued expenses	39,602	23,461
Deferred revenue	96,700	-
Total current liabilities	148,935	28,041
Note Payable - Paycheck Protection Program	70,758	-
Total liabilities	<u>219,693</u>	<u>28,041</u>
Net Assets:		
Without donor restrictions	702,913	81,299
With donor restrictions	2,000,000	318,893
Total net assets	<u>2,702,913</u>	<u>400,192</u>
Total liabilities and net assets	<u>\$ 2,922,606</u>	<u>\$ 428,233</u>

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:						
Grants and contributions	\$ 2,060	\$ 2,580,000	\$ 2,582,060	\$ -	\$ 500,000	\$ 500,000
Contracts	473,049	-	473,049	-	-	-
Conferences	57,116	-	57,116	156,699	-	156,699
Membership dues	23,979	-	23,979	27,222	-	27,222
Interest income	1,458	-	1,458	1,303	-	1,303
Net assets released from purpose restrictions	898,893	(898,893)	-	181,107	(181,107)	-
Total operating revenues and support	1,456,555	1,681,107	3,137,662	366,331	318,893	685,224
Operating Expenses:						
Program services	509,468	-	509,468	272,718	-	272,718
General and administrative	174,744	-	174,744	168,028	-	168,028
Fundraising	150,729	-	150,729	63,511	-	63,511
Total operating expenses	834,941	-	834,941	504,257	-	504,257
Changes in net assets	621,614	1,681,107	2,302,721	(137,926)	318,893	180,967
Net Assets:						
Beginning of year	81,299	318,893	400,192	219,225	-	219,225
End of year	\$ 702,913	\$ 2,000,000	\$ 2,702,913	\$ 81,299	\$ 318,893	\$ 400,192

The accompanying notes are an integral part of these statements.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statements of Cash Flows

For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ 2,302,721	\$ 180,967
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(236,550)	(12,500)
Grants receivable	150,000	(150,000)
Prepaid expenses	1,185	(8,618)
Accounts payable	8,053	1,255
Accrued expenses	16,141	23,461
Deferred revenue	96,700	-
	<u>2,338,250</u>	<u>34,565</u>
Net cash provided by operating activities	2,338,250	34,565
Cash Flows from Financing Activities		
Proceeds from paycheck protection program note payable	70,758	-
	<u>70,758</u>	<u>-</u>
Net Change in Cash	2,409,008	34,565
Cash:		
Beginning of year	<u>257,115</u>	<u>222,550</u>
End of year	<u>\$ 2,666,123</u>	<u>\$ 257,115</u>

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statements of Functional Expenses
For the Years Ended December 31, 2020 and 2019

	2020				2019			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Operating Expenses:								
Salaries and related:								
Salaries	\$ 228,308	\$ 75,421	\$ 91,022	\$ 394,751	\$ 30,770	\$ 54,981	\$ 53,685	\$ 139,436
Payroll taxes and benefits	35,200	10,483	13,343	59,026	4,538	10,543	7,717	22,798
Total salaries and related	<u>263,508</u>	<u>85,904</u>	<u>104,365</u>	<u>453,777</u>	<u>35,308</u>	<u>65,524</u>	<u>61,402</u>	<u>162,234</u>
Other:								
Contracted program services	183,848	-	-	183,848	118,912	-	-	118,912
Professional fees	1,150	72,962	45,751	119,863	-	48,624	2,109	50,733
Grants	24,045	-	-	24,045	2,000	-	-	2,000
Online services	14,727	3,686	358	18,771	7,265	3,468	-	10,733
Marketing	10,341	3,035	-	13,376	1,551	3,182	-	4,733
Office supplies	5,753	3,441	-	9,194	6,124	1,587	-	7,711
Facility rental	5,000	-	-	5,000	72,499	340	-	72,839
Travel	178	2,521	255	2,954	28,438	38,698	-	67,136
Insurance	-	2,104	-	2,104	264	1,723	-	1,987
Dues	740	839	-	1,579	-	973	-	973
Miscellaneous	178	252	-	430	357	3,909	-	4,266
Total other	<u>245,960</u>	<u>88,840</u>	<u>46,364</u>	<u>381,164</u>	<u>237,410</u>	<u>102,504</u>	<u>2,109</u>	<u>342,023</u>
Total operating expenses	<u>\$ 509,468</u>	<u>\$ 174,744</u>	<u>\$ 150,729</u>	<u>\$ 834,941</u>	<u>\$ 272,718</u>	<u>\$ 168,028</u>	<u>\$ 63,511</u>	<u>\$ 504,257</u>

The accompanying notes are an integral part of these statements.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

1. OPERATIONS AND NONPROFIT STATUS

Local Independent Online News Publishers Inc. (LION) was formed in 2012 for the purpose of building the future of local news. LION's mission is to foster the viability and excellence of locally focused independent online news organizations and cultivate their connections to their communities through education and action. LION's core values are independently owned media, entrepreneurialism, anti-racism, inclusive and equitable representation, useful journalism, and peer-learning.

Effective April 1, 2019, LION applied for and received its tax status under Section 501(c)(3) of the Internal Revenue Code (IRC) and, therefore, LION is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes. LION is also exempt from state income taxes. Donors may deduct contributions made to LION within the requirements of the IRC. Prior to the effective date, LION received contributions and other qualified income through a fiscal sponsorship agreement.

2. SIGNIFICANT ACCOUNTING POLICIES

LION prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

LION accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. LION has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at December 31, 2020 and 2019. LION's tax returns are subject to examination by the Federal and state jurisdictions.

Fair Value Measurements

LION follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that LION would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

LION uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of LION. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurements (Continued)

The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. The carrying value of all assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

Accounts, Contracts, and Grants Receivable and Allowance for Doubtful Accounts

Accounts and contracts receivable consist of sponsorships and contracts due to LION. Grants receivable consist of grants to LION that are unconditionally committed. An allowance for doubtful accounts is based on management's evaluations of the collectability of individual accounts. Account balances are charged-off against the allowance when it is probable the receivable will not be recovered. There was no allowance for doubtful accounts deemed necessary as of December 31, 2020 and 2019.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions*, LION must determine whether a contribution (or a promise) is conditional or unconditional for transactions deemed to be a contribution. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 4). Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that LION should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

Grants and contributions without donor restrictions are recognized as revenue when received or unconditionally pledged. Transfers are made to net assets without donor restrictions as services are performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts with Customers - Revenue from Contracts with Customers

In accordance with Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), LION recognizes revenue when promised goods or services (referred to as performance obligations) are transferred to customers in an amount that reflects the consideration to which LION expects to be entitled in exchange for those goods and services. The new standard uses a five-step model for recognizing and measuring revenue from contracts with customers, which includes identifying the contract with the customer, identifying the performance obligation(s) promised within the contract, determining the transaction price (the amount of consideration to which LION expects to be entitled), allocating the transaction price to the performance obligations, and recognizing revenue when (or as) the performance obligations are satisfied. LION allocates the transaction price to each performance obligation identified in the contract based on relative standalone selling prices, or estimates of such prices, and recognizes the related revenue as control of each good or service is transferred to the customer, in satisfaction of the corresponding performance obligations.

Program Contracts

During 2020, LION entered into program contracts in which the customer owns rights to any results and deliverables developed as part of the contract. Agreements that are reciprocal transactions are accounted for under the guidance of Topic 606. The program contracts list certain milestone achievement requirements which are accounted for as individual performance obligations. Each performance obligation has an allocated transaction price based on their standalone selling value as outlined in the contracts. LION recognizes revenue upon satisfaction of each individual performance obligation, at a point in time that the milestone has been achieved and the constraint is lifted.

The timing of revenue and cost recognition, billings, and cash collections can result in customer advances and deposits. The Company records deferred revenue when the terms of contracts result in billings in excess of revenue earned, or when customers pay in advance for products and services (Contract Liabilities). The Company has deferred revenue of \$96,700 associated with a contract, where milestones were not met as of December 31, 2020. There was no deferred revenue as of December 31, 2019.

Conferences

Conferences income and sponsorships are derived from LION's performance to host its annual summit (cancelled in 2020) and various online events in which revenues are recognized at the time of the event. Conferences income is comprised of various components including registrant fees, sponsorships, award fees, and merchandise sales, and advertising in which the transaction price is determined annually. Registration fees and sponsorships for the conference is set by LION and is not allocated as the conference itself is considered to be one performance obligation. As a practical expedient, LION recognizes the incremental costs of obtaining contracts as an expense when incurred if the amortization period of the assets that LION otherwise would have recognized is one year or less. These costs are included in facility rental, travel, professional fees, and salaries in the accompanying statement of functional expenses.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Membership Dues

LION analyzes its membership dues for elements of contribution and exchange transactions in accordance with ASC Topic 958, *Not-for-Profit Entities*. LION has concluded that because the fair value of the benefits received through the membership exceed the cost of the membership, the entire transaction is considered an exchange transaction and, therefore, accounted for under ASC Topic 606, *Revenue from Contracts with Customers*. The membership dues are, therefore, recognized ratably over the membership period as the performance obligations are satisfied over time.

Advertising Costs

LION expenses advertising costs as incurred.

Expense Allocation

Expenses related directly to a function are distributed to that function, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function. The financial statements contain certain categories of expenses that are attributable to program and supporting functions and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, payroll taxes and benefits, which are allocated based on an estimate of time and level of effort spent on LION's program and supporting functions. All other expenses are allocated based on the direct cost to each function.

Net Assets Classification

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by LION. LION's net assets without donor restrictions are considered to be operating, which represents funds available to carry on the operations of LION.

Net assets with donor restrictions represent amounts received or committed with donor restrictions which have not yet been expended for their designated purpose or amounts restricted for use in future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purpose or as the time period lapses. When the restrictions on contributions are met in the same period that the contribution is received, the contribution is reported in the accompanying statements of activities, as revenues with donor restrictions and as net assets released from restrictions.

As of December 31, 2020 and 2019, net assets with donor restrictions are restricted for the subject of expenditure for specified purposes, specifically growth and development and educational programs.

Net assets of \$898,893 and \$181,107 were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors during the years ended December 31, 2020 and 2019, respectively (see above).

Subsequent Events

Subsequent events have been evaluated through May 20, 2021, which is the date the financial statements were available to be issued. See Notes 4, 5, and 6 for events that met the criteria for disclosure in the financial statements.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

3. CONCENTRATIONS OF CREDIT RISK

Accounts, Contracts Receivable, and Grants Receivable

Approximately 97% of LION's accounts and contracts receivable was due from one customer as of December 31, 2020.

Approximately 92% of LION's grants receivable was due from one donor as of December 31, 2019.

Operating Revenue

Approximately 82% and 73% of LION's operating revenue was generated from two grantors for the years ended December 31, 2020 and 2019, respectively.

Approximately 15% of LION's operating revenue was generated from one customer during the year ended December 31, 2020.

4. CONDITIONAL GRANT

During 2019, LION was awarded a \$1 million grant from an organization which is conditional based on certain criteria, as defined in the agreement. Remaining installments on the grant total \$400,000 as of December 31, 2020, and are conditional upon LION overcoming certain barriers, such as stipulations that limit discretion by LION to perform activities conducted with the grant funds, as defined in the grant agreement. As such, this amount has not been recorded in the accompanying financial statements as of December 31, 2020, as the barriers have not yet been overcome. LION recognized revenue of \$400,000 and \$200,000, respectively, during the years ended December 31, 2020 and 2019. LION has since collected \$200,000 of the conditional grant as of May 20, 2021.

5. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

LION applied for and was awarded a forgivable loan of \$70,758 from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period, and the remainder of the funds will be due over a five-year period through August 2025 with interest at 1%. Any repayment will be deferred until the Small Business Administration (SBA) notifies the lender of the amount of the loan that will be forgiven. The balance of the note which is not forgiven (if any), plus interest, will be due in equal monthly payments through the maturity date as defined by the bank. There are no covenants with which to comply and the note is not secured by any collateral. There was no accrued interest on the note payable as of December 31, 2020, as it would be immaterial to the overall financial statements.

In March 2020, LION submitted the application for forgiveness. On March 15, 2021, LION received notification of forgiveness from the bank. The forgiveness is currently with the SBA for review and approval and, therefore, LION has not been legally released from obligation. LION anticipates the note payable will be forgiven in full and therefore, the balance has been classified as long-term in the accompanying statement of financial position at December 31, 2020.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2020 and 2019

6. SUBSEQUENT EVENT

Effective January 1, 2021, LION opened a 403(b) retirement plan covering all employees.

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general operating use, that is, without donor or other restrictions limiting their use (see Note 2), within one year of the statement of financial position date, comprise the following at December 31:

	<u>2020</u>	<u>2019</u>
Cash	\$ 2,666,123	\$ 257,115
Accounts receivable	249,050	12,500
Grants receivable	-	150,000
	<u>2,915,173</u>	<u>419,615</u>
Less - net assets with donor restrictions - grants receivable	-	(150,000)
Less - net assets with donor restrictions - cash	(2,000,000)	(168,893)
Less - deferred contract revenue - accounts receivable	<u>(96,000)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 819,173</u>	<u>\$ 100,722</u>

As part of LION's liquidity management, LION has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

8. CONTINGENCY

During 2020, COVID-19 was recognized as a global pandemic. Federal, state and local governments in the United States have imposed restrictions on travel and business operations. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration and the impact it will have on LION's operations and financial position. As a result, the adverse impact COVID-19 will have on LION's businesses, operating results, cash flows, and financial condition is uncertain. It is management's opinion that the adverse impact, if any, would not be material.

9. RECLASSIFICATION

Certain amounts in the 2019 financial statements have been reclassified to conform with the 2020 presentation.