



LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

**FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

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December 31, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Local Independent Online News Publishers Inc. (a Delaware corporation, not for profit) (LION), which comprise the statements of financial position as of December 31, 2022 and 2021, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Local Independent Online News Publishers Inc. as of December 31, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of LION and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about LION's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 LION's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about LION's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

AAFCPA, Inc.

Westborough, Massachusetts
June 22, 2023

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.Statements of Financial Position
December 31, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 2,647,211	\$ 2,351,808
Accounts and contracts receivable	298,240	254,511
Grants receivable	58,000	450,000
Prepaid expenses	6,081	5,175
Total assets	<u>\$ 3,009,532</u>	<u>\$ 3,061,494</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 288,122	\$ 117,433
Accrued expenses	103,486	92,379
Deferred revenue	22,955	-
Total current liabilities	<u>414,563</u>	<u>209,812</u>
Net Assets:		
Without donor restrictions	1,814,009	1,179,514
With donor restrictions	780,960	1,672,168
Total net assets	<u>2,594,969</u>	<u>2,851,682</u>
Total liabilities and net assets	<u>\$ 3,009,532</u>	<u>\$ 3,061,494</u>

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statements of Activities and Changes in Net Assets
For the Years Ended December 31, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:						
Contracts	\$ 2,064,960	\$ -	\$ 2,064,960	\$ 1,063,616	\$ -	\$ 1,063,616
Grants and contributions	767,680	833,000	1,600,680	453,742	600,000	1,053,742
Conferences	195,565	-	195,565	40,531	-	40,531
Membership dues	68,423	-	68,423	45,132	-	45,132
Contributed services (in-kind)	26,657	-	26,657	69,650	-	69,650
Interest income	16,703	-	16,703	656	-	656
Net assets released from purpose restrictions	1,724,208	(1,724,208)	-	927,832	(927,832)	-
Total operating revenues and support	4,864,196	(891,208)	3,972,988	2,601,159	(327,832)	2,273,327
Operating Expenses:						
Program services	3,325,887	-	3,325,887	1,683,188	-	1,683,188
General and administrative	437,506	-	437,506	391,543	-	391,543
Fundraising	466,308	-	466,308	120,585	-	120,585
Total operating expenses	4,229,701	-	4,229,701	2,195,316	-	2,195,316
Changes in net assets from operations	634,495	(891,208)	(256,713)	405,843	(327,832)	78,011
Other Income:						
Forgiveness of debt	-	-	-	70,758	-	70,758
Changes in net assets	634,495	(891,208)	(256,713)	476,601	(327,832)	148,769
Net Assets:						
Beginning of year	1,179,514	1,672,168	2,851,682	702,913	2,000,000	2,702,913
End of year	\$ 1,814,009	\$ 780,960	\$ 2,594,969	\$ 1,179,514	\$ 1,672,168	\$ 2,851,682

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets	\$ (256,713)	\$ 148,769
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Forgiveness of debt	-	(70,758)
Changes in operating assets and liabilities:		
Accounts and contracts receivable	(43,729)	(5,461)
Grants receivable	392,000	(450,000)
Prepaid expenses	(906)	2,258
Accounts payable	170,689	104,800
Accrued expenses	11,107	52,777
Deferred revenue	22,955	(96,700)
	<u>295,403</u>	<u>(314,315)</u>
Net cash provided by (used in) operating activities		
	295,403	(314,315)
Net Change in Cash	295,403	(314,315)
Cash:		
Beginning of year	<u>2,351,808</u>	<u>2,666,123</u>
End of year	<u>\$ 2,647,211</u>	<u>\$ 2,351,808</u>

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statements of Functional Expenses
For the Years Ended December 31, 2022 and 2021

	2022				2021			
	Program Services	General and Administrative	Fundraising	Total	Program Services	General and Administrative	Fundraising	Total
Operating Expenses:								
Salaries and related:								
Salaries	\$ 771,146	\$ 175,287	\$ 96,779	\$ 1,043,212	\$ 557,720	\$ 125,795	\$ 94,858	\$ 778,373
Payroll taxes and benefits	156,391	32,861	21,640	210,892	116,564	25,428	20,406	162,398
Total salaries and related	927,537	208,148	118,419	1,254,104	674,284	151,223	115,264	940,771
Other:								
Grants	1,813,873	-	-	1,813,873	599,952	475	-	600,427
Contracted program services	452,767	-	-	452,767	328,189	-	-	328,189
Event expenses	73	766	265,307	266,146	4,500	-	-	4,500
Professional fees	63,320	82,066	75,269	220,655	14,301	130,282	3,600	148,183
Recruitment and development	2,861	56,865	485	60,211	-	-	-	-
Travel	36,898	4,684	4,002	45,584	305	8,888	496	9,689
Online services	16,532	15,115	2,755	34,402	17,732	3,001	577	21,310
Office supplies	3,598	18,976	-	22,574	7,935	10,092	-	18,027
Miscellaneous	8,181	11,398	-	19,579	74	1,770	-	1,844
Insurance	-	7,960	-	7,960	-	5,937	-	5,937
Marketing	247	3,656	71	3,974	35,789	9,286	-	45,075
Dues	-	1,215	-	1,215	127	1,587	-	1,714
Total other	2,398,350	202,701	347,889	2,948,940	1,008,904	171,318	4,673	1,184,895
Subtotal before contributed services (in-kind)	3,325,887	410,849	466,308	4,203,044	1,683,188	322,541	119,937	2,125,666
Contributed services (in-kind):								
Contributed administrative services	-	14,657	-	14,657	-	323	648	971
Contributed legal services	-	12,000	-	12,000	-	68,679	-	68,679
Total contributed services (in-kind)	-	26,657	-	26,657	-	69,002	648	69,650
Total operating expenses	\$ 3,325,887	\$ 437,506	\$ 466,308	\$ 4,229,701	\$ 1,683,188	\$ 391,543	\$ 120,585	\$ 2,195,316

The accompanying notes are an integral part of these statements.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Local Independent Online News Publishers Inc. (LION), a Delaware corporation, was formed in 2012 for the purpose of building the future of local news to provide equitable access to inclusive and impactful news information. LION's mission is to provide teaching, resources and community to independent news entrepreneurs as they build and develop sustainable businesses.

LION is formed for charitable purposes 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). LION is also exempt from state income taxes. Donors may deduct contributions made to LION within the requirements of the IRC.

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).

Adoption of New Accounting Standard

During 2022, LION adopted Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 is intended to increase the transparency of contributed nonfinancial assets (in-kind goods and services) for not-for-profit entities through enhancements to presentation and disclosure. The amendments in this ASU do not change the recognition and measurement requirements of in-kind goods and services, and it does not apply to business enterprises. The adoption of this standard did not result in a change in accounting, and the standard has been applied retrospectively to all periods presented within the accompanying financial statements.

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, 2022 and 2021. LION's tax returns are subject to examination by the Federal and state jurisdictions.

Cash and Cash Equivalents and Concentration of Credit Risk

LION considers all highly liquid investments with an initial maturity of three months or less to be cash and cash equivalents. As of December 31, 2022 and 2021, there were no cash equivalents.

LION maintains its cash in bank deposit accounts that, at times, may exceed Federally insured limits. LION has not experienced any losses in such accounts and believes there is no significant exposure to any significant credit risk on cash.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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 is 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, 2022 and 2021.

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 statements of activities and changes in net assets as revenues with donor restrictions and as net assets released from restrictions.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets Classification (Continued)

Net assets with donor restrictions consist of the following as of December 31:

	<u>2022</u>	<u>2021</u>
Subject to expenditure for specified purposes:		
Educational programs	\$ 700,960	\$ 1,672,168
Growth and development	<u>80,000</u>	<u>-</u>
	<u>\$ 780,960</u>	<u>\$ 1,672,168</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose of the donors as follows for the years ended December 31:

	<u>2022</u>	<u>2021</u>
Satisfaction of purpose restrictions:		
Educational programs	\$ 971,208	\$ 527,832
Growth and development	420,000	400,000
Events	<u>333,000</u>	<u>-</u>
	<u>\$ 1,724,208</u>	<u>\$ 927,832</u>

Revenue Recognition

Contracts with Customers - Revenue from Contracts with Customers

In accordance with 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 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.

Principal vs. Agent Considerations

LION is considered to be the principal in contracts for which LION has discretion to determine the transaction price and bears the risk of loss through controlling the services conducted. LION is considered to be the agent in contracts for which the transaction price is determined by the customer and LION acts solely as a pass-through agent. Transactions whereby LION is the principal are recorded gross and transactions whereby LION is the agent are recorded net in the accompanying statements of activities and changes in net assets. LION acted as the principal for all contracts performed in 2022 and 2021.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts with Customers - Revenue from Contracts with Customers (Continued)

Program Contracts

During 2022, LION continued to enter 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. As of December 31, 2022 and 2021, LION had approximately \$182,000 and \$117,000 of milestones not yet achieved.

Membership Dues

LION analyzes its membership dues for elements of contribution and exchange transactions in accordance with Topic 958. LION has concluded that because the fair value of the benefits received through the membership exceeds the cost of the membership, the entire transaction is considered an exchange transaction and, therefore, accounted for under Topic 606. The membership dues are therefore recognized ratably over the membership period as the performance obligations are satisfied over time.

Contract Balances

The timing of revenue and cost recognition, billings, and cash collections can result in customer advances and deposits. LION 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). As of December 31, 2022, LION has deferred revenue of \$18,705 associated with members who paid upfront for a year-long membership which spans multiple fiscal years. As of December 31, 2022, LION has deferred sponsorship revenue of \$4,250. LION had no deferred revenue as of December 31, 2021, and \$96,700 in deferred revenue associated with a contract where milestones were not met as of December 31, 2020.

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 accounted for as an exchange transaction in accordance with guidance under Topic 606 and is comprised of various components, including registration fees, sponsorships, award fees, merchandise sales, and advertising in which the transaction price is determined annually. Registration fees and sponsorships for the conference are set by LION and are 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 event expenses, travel, professional fees, and salaries in the accompanying statements of functional expenses.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts with Customers - Revenue from Contracts with Customers (Continued)

The following table presents a disaggregation of LION's revenue by type. LION recognizes revenue from contracts with customers as follows:

	<u>2022</u>	<u>2021</u>
Point-in-time:		
Program contracts	\$ 2,064,960	\$ 1,063,616
Conferences	<u>195,565</u>	<u>40,531</u>
Total point-in-time	2,260,525	1,104,147
Membership dues - over time	<u>68,423</u>	<u>45,132</u>
Total contracts with customers	<u>\$ 2,328,948</u>	<u>\$ 1,149,279</u>

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition - Contributions* (Topic 958), 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. 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. See Note 5 for disclosure of LION's conditional awards as of December 31, 2022 and 2021.

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.

Contributed Services (In-Kind)

LION recognizes revenue for contributed services (in-kind) based on the estimated fair value assigned to them by the donating individuals, organizations, or by management. Contributed services (in-kind) do not have donor-imposed restrictions. LION has not reported revenue for volunteer services, as the value assigned to the services by the donating volunteers is not ascertainable and does not meet the criteria for recognition under ASC Subtopic 958-605.

LION is the recipient of contributed legal services totaling \$12,000 and \$68,679 for the years ended December 31, 2022, and 2021, respectively. These services are valued at the estimated fair value, as determined by the legal firm, in accompanying financial statements based on current rates for similar services. LION is also the recipient of various donated administrative services and discounts totaling \$14,657 and \$971 for the years ended December 31, 2022, and 2021, respectively.

Interest and Other Income

Interest and other income are recognized when earned.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising Costs

LION expenses advertising costs as incurred.

Statements of Activities and Changes in Net Assets

Transactions deemed by management to be ongoing, major, or central to the provision of program services are reported as operating revenues and operating expenses in the accompanying statements of activities and changes in net assets. All other transactions are presented as other revenues (expenses).

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.

Forgiveness of Debt

Forgiveness of debt is recorded in the period when the U.S. Small Business Administration (SBA) approves the loan forgiveness application, and the bank legally releases LION from the loan (see Note 4).

Subsequent Events

Subsequent events have been evaluated through June 22, 2023, which is the date the financial statements were available to be issued. There were no subsequent events that met the criteria for disclosure in the financial statements.

3. CONCENTRATIONS

Accounts, Contracts and Grants Receivables

The full amount of LION's accounts and contracts receivable was due from one customer as of December 31, 2022, and 2021. The full amount of LION's grants receivable was due from one donor as of December 31, 2022 and 2021.

Operating Revenue

Grants and Contributions

Approximately 80% and 100% of LION's grants and contributions were generated from two and three grantors, respectively, for the years ended December 31, 2022, and 2021.

Contracts

All of LIONS's contracts revenue was generated from one customer for the years ended December 31, 2022 and 2021.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

4. NOTE PAYABLE - PAYCHECK PROTECTION PROGRAM

During 2020, 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 could be forgiven, as defined in the agreement, at the end of the covered period, and the remainder of the funds would be due over a five-year period through August 2025, with interest at 1%. Any repayment would be deferred until the SBA notified the lender of the amount of the loan that was forgiven. The balance of the note not forgiven (if any), plus interest, would have been due in equal monthly payments through the maturity date as defined by the bank. There were no covenants with which to comply and the note was not secured by any collateral.

LION received full forgiveness from the SBA during 2021, which is reflected as forgiveness of debt in the accompanying 2021 statement of activities and changes in net assets.

5. CONDITIONAL GRANT

During 2022, LION was awarded a grant from an organization which is conditional based on certain criteria, as defined in the agreement. Remaining installments on the grant totaled \$2,450,000 as of December 31, 2022, 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, 2022, as the barriers have not yet been overcome. There were no conditional grants as of December 31, 2021.

6. RETIREMENT BENEFITS

Effective January 1, 2021, LION opened a 401(k) retirement plan covering all eligible employees. Employees become eligible to participate in the plan once they have attained the age of 18. LION may make discretionary employer matching contributions and profit-sharing, which vest in full immediately upon receipt. LION contributed approximately \$36,000 and \$24,000 in matching contributions during the years ended December 31, 2022 and 2021, respectively, which are included in payroll taxes and benefits in the accompanying statements of functional expenses.

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 statements of financial position date, comprise the following at December 31:

	<u>2022</u>	<u>2021</u>
Cash	\$ 2,647,211	\$ 2,351,808
Accounts and contracts receivable	298,240	254,511
Grants receivable	<u>58,000</u>	<u>450,000</u>
	3,003,451	3,056,319
Less - net assets with donor restrictions - cash	(780,960)	(1,672,168)
Less - deferred membership revenue	<u>(22,955)</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 2,199,536</u>	<u>\$ 1,384,151</u>

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Notes to Financial Statements
December 31, 2022 and 2021

7. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 become due.

8. RELATED PARTY TRANSACTIONS

During 2022, LION awarded scholarships to committee members or organizations related to key management and Board members totaling approximately \$49,000. There were no related party transactions during 2021.

9. RECLASSIFICATION

Certain amounts in the 2022 financial statements have been reclassified to conform with the 2021 presentation.