LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

FINANCIAL STATEMENTS
DECEMBER 31, 2019

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Contents
December 31, 2019

AAFCPAs
great minds | great hearts

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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 statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, cash flows and 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 Local Independent Online News Publishers Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

AAFCPAs, Inc.

Westborough, Massachusetts
September 24, 2020

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statement of Financial Position
December 31, 2019

Assets	
Current Assets:	
Cash	$ 257,115
Grants and accounts receivable	162,500
Prepaid expenses	8,618
Total assets	$ 428,233
Liabilities and Net Assets	
Current Liabilities:	
Accounts payable	$ 4,580
Accrued expenses	23,461
Total current liabilities	28,041
Net Assets:	
Without donor restrictions	81,299
With donor restrictions	318,893
Total net assets	400,192
Total liabilities and net assets	$ 428,233

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues and Support:			
Grants and contributions	$ -	$ 500,000	$ 500,000
Conference	156,699	-	156,699
Membership dues	27,222	-	27,222
Interest income	1,303	-	1,303
Net assets released from purpose restrictions	181,107	(181,107)	-
Total operating revenues and support	366,331	318,893	685,224
Operating Expenses:			
Program services	272,718	-	272,718
General and administrative	168,028	-	168,028
Fundraising	63,511	-	63,511
Total operating expenses	504,257	-	504,257
Changes in net assets	(137,926)	318,893	180,967
Net Assets:			
Beginning of year	219,225	-	219,225
End of year	$ 81,299	$ 318,893	$ 400,192

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statement of Cash Flows
For the Year Ended December 31, 2019

Cash Flows from Operating Activities:	
Changes in net assets	$ 180,967
Adjustments to reconcile changes in net assets to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Grants and accounts receivable	(162,500)
Prepaid expenses	(8,618)
Accounts payable	1,255
Accrued expenses	23,461
Net cash provided by operating activities	34,565
Net Change in Cash	34,565
Cash:	
Beginning of year	222,550
End of year	$ 257,115

The accompanying notes are an integral part of these statements.

LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.

Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	General and Adminis-trative	Fundraising	Total
Operating Expenses:				
Salaries and related:				
Salaries	$ 30,770	$ 54,981	$ 53,685	$ 139,436
Payroll taxes and benefits	4,538	10,543	7,717	22,798
Total salaries and related	35,308	65,524	61,402	162,234
Other:				
Professional fees	107,955	48,624	2,109	158,688
Facility rental	72,499	340	-	72,839
Travel	23,813	38,698	-	62,511
Program expense	15,582	-	-	15,582
Online services	7,265	3,468	-	10,733
Office supplies	6,124	1,587	-	7,711
Marketing	1,551	3,182	-	4,733
Miscellaneous	357	3,909	-	4,266
Grants	2,000	-	-	2,000
Insurance	264	1,723	-	1,987
Dues	-	973	-	973
Total other	237,410	102,504	2,109	342,023
Total operating expenses	$ 272,718	$ 168,028	$ 63,511	$ 504,257

The accompanying notes are an integral part of these statements.

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).

Accounting Principle Adoptions

On January 1, 2019, LION adopted FASB's Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (*Topic 606*), with respect to its revenue recognition policies. The core principle of the new accounting guidance is that an entity should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. As a result of the adoption of Topic 606, disclosures related to revenue recognition have been enhanced. LION adopted ASU 2014-09 using a modified prospective method as of January 1, 2019.

LION also adopted FASB's ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This ASU clarifies and improves guidance for contributions received and contributions made and provides guidance to organizations on how to account for certain exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. LION adopted ASU 2018-08 using a modified prospective method effective January 1, 2019. Under the modified prospective method, this ASU only applies to agreements not completed or entered into as of January 1, 2019. As a result, the financial statements for the year ended December 31, 2018, are not restated and there was no cumulative-effect adjustment to opening net assets as of January 1, 2019.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 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.

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.

Grants and Accounts Receivable and Allowance for Doubtful Accounts

Grants receivable consist of grants to LION that are unconditionally committed. Accounts receivable consist of sponsorships to LION. 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 deem necessary as of December 31, 2019.

2. **SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 as performed and costs are incurred pro-rata over the period covered by the grant or contribution as time restrictions lapse.

Contract with Customers – Revenue from Contracts with Customers

In accordance with 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.

Conference

Conference income is derived from LION's performance to host its annual summit in which revenues are recognized at the time of the event. Conference income is comprised of various components including registrant fees, sponsorships, award fees, and merchandise sales, 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. Fees collected in advance of the conference are initially recorded as deferred revenue (contract liabilities) and are only recognized in the statement of activities and changes in net assets after the conference has occurred and the performance obligation has been met. There was no deferred revenue as of December 31, 2019. 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.

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.

Based on the timing of revenue recognition, billings, and cash collections for its membership dues, LION receives certain billings in advance of revenue recognition resulting in deferred revenue (contract liabilities). There was no deferred revenue related to membership dues as of December 31, 2019.

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

As of December 31, 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 $181,107 were released from donor restrictions by incurring expenses satisfying the restricted purpose specified by the donors (see above).

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through September 24, 2020, which is the date the financial statements were available to be issued. See Notes 4 and 6 for events that met the criteria for disclosure in the financial statements.

3. CONCENTRATIONS OF CREDIT RISK

Grants and Accounts Receivable

Approximately 92% of LION's grants and accounts receivable is due from one organization as of December 31, 2019.

Approximately 73% of LION's operating revenue was generated from two grantors for the year ended December 31, 2019.

4. CONDITIONAL GRANT

During 2019, 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 totals $800,000 as of December 31, 2019, 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, 2019, as the barriers have not yet been overcome. LION has since collected $400,000 of the conditional grant as of September 24, 2020.

5. 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, 2019:

Cash	$ 257,115
Grants and accounts receivable	162,500
	419,615
Less - net assets with donor restrictions - grants receivable	(150,000)
Less - net assets with donor restrictions - cash	(168,893)
Financial assets available to meet cash needs for general expenditures within one year	$ 100,722

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.

6. SUBSEQUENT EVENTS

Contingency

In recent months, 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. The financial impact to LION, if any, cannot be reasonably estimated at this time.

Additionally, LION applied for and was awarded a $70,758 loan under the Paycheck Protection Program (PPP) on August 12, 2020. The loan has a fixed interest rate of 1% and matures on August 12, 2025.

Significant Grant Agreements

On April 15, 2020, LION received a grant for $180,000 from a corporation to be used for COVID-19 relief purposes to be used during the grant period of April 13, 2020 through May 12, 2020.

On July 6, 2020, LION entered into a grant agreement with a corporation for a total of $236,000, which is conditional upon achievement of various milestones throughout grant period.