

AMERICAN JOURNALISM PROJECT, INC.

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended December 31, 2019



S B & COMPANY, LLC
KNOWLEDGE • QUALITY • CLIENT SERVICE

DECEMBER 31, 2019

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Board of Directors
American Journalism Project, Inc.

Report on the Financial Statements

We have audited the accompanying statement of financial position of American Journalism Project, Inc. (AJP), as of December 31, 2019, and the related statements of activities and change in net assets, functional expenses, and cash flows 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 controls 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 controls 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 controls. 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.



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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AJP as of December 31, 2019, and the change 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.

Washington, D.C.
September 16, 2020

SB & Company, LLC

AMERICAN JOURNALISM PROJECT, INC.

**Statement of Financial Position
As of December 31, 2019**

ASSETS	
Cash	\$ 15,381,417
Accounts receivable	16,850
Website in process	40,524
Prepaid expenses and security deposits	8,286
Total Assets	\$ 15,447,077
LIABILITIES AND NET ASSETS	
Liabilities	
Accounts payable	\$ 74,813
Accrued expenses	116,881
Grants payable	89,000
Total Liabilities	280,694
Net Assets	
Without donor restrictions	15,166,383
Total Liabilities and Net Assets	\$ 15,447,077

The accompanying notes are an integral part of this financial statement.

AMERICAN JOURNALISM PROJECT, INC.

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

CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS

Revenue

Contributions:

Foundation	\$ 17,546,625
Individual	503,250

Total Revenue Without Donor Restrictions 18,049,875

Expenses

Grantmaking	1,939,291
Management and General	583,672
Fundraising	360,529

Total Expenses 2,883,492

Change in Net Assets Without Donor Restrictions 15,166,383

Net Assets, Beginning of Year -

Net Assets, End of Year \$ 15,166,383

The accompanying notes are an integral part of this financial statement.

AMERICAN JOURNALISM PROJECT, INC.

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

	<u>Grantmaking</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Salaries	\$ 268,703	\$ 79,595	\$ 132,754	\$ 481,052
Payroll taxes	20,456	6,079	10,522	37,057
Health benefits	10,587	3,356	5,142	19,085
Grants	1,243,498	-	-	1,243,498
Professional fees	324,791	428,556	172,216	925,563
Travel	45,733	47,664	28,666	122,063
Occupancy	17,287	10,625	5,576	33,488
Dues and subscriptions	3,231	271	3,673	7,175
Printing and reproduction	-	1,450	39	1,489
Marketing	-	1,228	102	1,330
Telephone and communication	312	216	139	667
Office supplies	-	214	-	214
Miscellaneous	4,693	4,418	1,700	10,811
Total Expenses	\$ 1,939,291	\$ 583,672	\$ 360,529	\$ 2,883,492

The accompanying notes are an integral part of this financial statement.

AMERICAN JOURNALISM PROJECT, INC.

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

Cash Flows from Operating Activities

Change in net assets	\$ 15,166,383
Adjustments to reconcile change in net assets to net cash from operating activities:	
Effects of changes in non-cash operating assets and liabilities:	
Accounts receivable	(16,850)
Prepaid expenses and security deposits	(8,286)
Accounts payable	74,813
Accrued expenses	116,881
Grants payable	89,000
Net Cash from Operating Activities	<u>15,421,941</u>
Cash Flows from Investing Activity	
Capitalization of software development costs	<u>(40,524)</u>
Net Change in Cash	<u>15,381,417</u>
Cash, End of Year	<u><u>\$ 15,381,417</u></u>

The accompanying notes are an integral part of this financial statement.

AMERICAN JOURNALISM PROJECT, INC.

Notes to the Financial Statements

December 31, 2019

1. BACKGROUND OF THE ORGANIZATION

American Journalism Project, Inc. (AJP) is a venture philanthropy non-profit organization dedicated to local news by providing course-altering investments and venture support to civic news organizations and building a new public service media that is governed by, sustained by and looks like the public it serves.

AJP supports the growth of nonprofit local newsrooms across the country. As part of this mission, it makes grants to local news organizations to increase their business and operating capacity and grow their impact. Grantees are selected through a competitive, staff-led grantmaking process with oversight from the Board of Directors. In addition to funding, grantees receive sustained operating support and strategic guidance from the American Journalism Project team.

AJP seeks to provides entrepreneurial nonprofits and promising leaders with the same kind of capital, close support, and ongoing partnership that is available to for-profit companies. Successful investments lead to sustainability and mission-driven success. AJP's primary program is to solve the nation's local news crisis and is based on three interlocking beliefs: democracy and journalism are interdependent; local news is a public good that markets will not supply; this is a *We, the People*, problem to solve.

Prior to AJP being recognized as a 501(c)(3) organization, the Institute for Nonprofit News (INN) served as their fiscal sponsor. The relationship with INN ended March 31, 2019 and AJP operations began. The AJP operations that occurred during the period January 1, 2019 – March 31, 2019, are included in the accompanying financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements of AJP are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

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 certain reported amounts and disclosures of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenue, support and expenses during the reporting period. Actual results could differ from those estimates.

AMERICAN JOURNALISM PROJECT, INC.

Notes to the Financial Statements December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

AJP maintains its cash in a bank deposit account which, at times, may exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor per institution. As of December 31, 2019, AJP had \$15,086,917 in excess of FDIC insured limits. AJP has not experienced any losses in their bank deposit account.

Accounts Receivable

Accounts receivable represent contributions and grants from foundations and individuals that have not been collected as of year-end. Management deems all accounts receivable to be fully collectible as of December 31, 2019, and as such, has not recorded an allowance for doubtful accounts.

Website

AJP capitalizes all equipment and software purchases over \$5,000 at cost, with an estimated useful life of more than one year. Website development cost will be amortized using the straight-line method over 3 years. AJP is in the process of completing the website as of December 31, 2019 and thus amortization had not started. Amortization will begin when the website is completed.

Net Assets

Net assets without donor restrictions are assets and contributions that are not restricted by donors or for which restrictions have expired.

Net assets with donor restrictions are those whose use by AJP has been limited by donors primarily for a specific time period or purpose. When a donor restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions. If a donor restriction is met in the same reporting period in which the contribution is received, the contribution (to the extent that the restrictions have been met) is reported as net assets without donor restrictions. As of December 31, 2019, AJP did not have any net assets with donor restrictions.

Revenue Recognition

Grants and contributions received are recorded as net assets without donor restrictions, or with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Donor-restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restrictions.

AMERICAN JOURNALISM PROJECT, INC.

Notes to the Financial Statements December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when some stipulated time restriction ends or purpose of the restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the accompanying statements of activities and change in net assets as net assets released from restrictions.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statement of activities and change in net assets and the statement of functional expenses. Accordingly, certain costs have been allocated among the program and support services that benefit from those costs. Direct salaries and wages are considered as a representative measure of the organizational effort applied to joint objectives and serve as the basis for allocation of shared expenses. Management and general expenses include those expenses not directly identified with any other specific function but provide for the overall support and direction of AJP.

Income Taxes

AJP is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and is recognized as such by the Internal Revenue Service.

Accounting principles generally accepted in the United States of America provide guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition of tax positions taken or expected to be taken in a tax return. AJP performed an evaluation of uncertain tax positions as of December 31, 2019, and determined that there were no matters that would require recognition in the financial statements or which may have any effect on its tax-exempt status. It is AJP's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense. The 2019 tax return is open to inspection by taxing authorities.

AMERICAN JOURNALISM PROJECT, INC.

Notes to the Financial Statements December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Implemented Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-15, *Classification of Certain Cash Receipts and Cash Payments*. ASU No 2016-15 provides cash flow statement classification guidance. This standard was implemented during fiscal year 2019 and did not have a material impact on the financial results or disclosures.

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*. This amendment changed presentation and disclosure requirements for not-for-profit entities to provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. This includes qualitative and quantitative requirements in the following areas: net asset classes, investment returns, expenses, liquidity and availability of resources, and presentation of operating cash flows. This standard was implemented during fiscal year 2019 and the financial statements and footnotes have been presented accordingly.

Recent Accounting Pronouncements

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which improves the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations and business enterprises. This standard is effective for periods beginning after December 15, 2019.

Management is evaluating the effects of these pronouncements on the financial statements and will implement these pronouncements by their effective dates.

Liquidity and Availability of Resources

The following reflects AJP's financial assets as of the statement of financial position date:

Cash	\$	15,381,417
Accounts receivable		16,850
Financial assets available to meet cash needs	\$	<u>15,398,267</u>

AJP manages its liquidity following two guiding principles: operating within a prudent range of financial soundness and stability and maintaining adequate liquid assets to fund near-term operating needs.

AMERICAN JOURNALISM PROJECT, INC.

Notes to the Financial Statements December 31, 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

AJP evaluated the accompanying financial statements for subsequent events and transactions through September 16, 2020, the date these financial statements were available for issue and have determined that that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure.

3. COMMITMENTS

Grants

Grants expense in the accompanying statement of functional expenses consists of unconditional grant payments made to ten grantees. The grants awarded to grantees are structured with both unconditional and conditional payments. The unconditional grant payments were expensed as of effective date of the grant agreement, in accordance with the grant agreement. The remaining payments are subject to the grantee fulfilling specific conditions. Such conditional payments are considered commitments and are not recorded as expense until the condition(s) of the grant are met.

The following table represents the total grant commitments made as of December 31, 2019, to be paid in the future.

Committed grants	
Current year	\$ 1,243,498
Year ended December 31, 2020	2,487,004
Year ended December 31, 2021	2,353,500
Year ended December 31, 2022	1,109,998
Total committed grants	<u>\$ 7,194,000</u>

As of December 31, 2019, AJP had received conditional grants from grantors totaling \$22,050,000. These conditional grants have not yet been recorded as revenue as condition(s) to recognize the revenue have not yet occurred. These conditional grants are considered commitments and these commitments will be recorded as revenue once the condition(s) of the respective grants are satisfied.

\$21,050,000 of the conditional grants are contingent upon securing fundraising targets to advance the purpose of the grants. \$1,000,000 is contingent upon satisfaction of operational progress as measured at a future date.