



LOCAL INDEPENDENT ONLINE NEWS PUBLISHERS INC.



AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023



Independent Auditor's Report

Board of Directors
Local Independent Online News Publishers Inc.
Washington, D.C.

Opinion

We have audited the accompanying financial statements of Local Independent Online News Publishers Inc. (LION), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LION as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 audit. 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, in individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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.

Report on Summarized Comparative Information

LION's 2022 financial statements were previously audited by other auditors, who expressed an unmodified audit opinion on those audited financial statements in their report dated June 22, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Certified Public Accountants

Bethesda, Maryland
July 25, 2024

Local Independent Online News Publishers Inc.

**Statement of Financial Position
December 31, 2023
With Comparative Totals As Of December 31, 2022**

	<u>2023</u>	<u>2022</u>
Assets		
Cash and Cash Equivalents	\$ 2,214,902	\$ 2,647,211
Accounts and Contracts Receivable	2,062,300	298,240
Grants Receivable	400,000	58,000
Prepaid Expenses	6,664	6,081
Total Assets	\$ 4,683,866	\$ 3,009,532
Liabilities and Net Assets		
Accounts Payable and Accrued Expenses	\$ 1,603,841	\$ 391,608
Deferred Revenue	36,418	22,955
Total Liabilities	1,640,259	414,563
Net Assets		
Without Donor Restrictions	2,338,060	1,814,009
With Donor Restrictions	705,547	780,960
Total Net Assets	3,043,607	2,594,969
Total Liabilities and Net Assets	\$ 4,683,866	\$ 3,009,532

See Accompanying Notes to Financial Statements

Local Independent Online News Publishers Inc.

**Statement of Activities
For The Year Ended December 31, 2023
With Comparative Totals For The Year Ended December 31, 2022**

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support and Revenues				
Contracts	\$ 5,171,050	\$ -	\$ 5,171,050	\$ 2,064,960
Grants and Contributions	1,133,399	400,000	1,533,399	1,600,680
Conferences	41,820	-	41,820	195,565
Membership Dues	91,249	-	91,249	68,423
Contributed Services (In-Kind)	120,595	-	120,595	26,657
Interest Income	44,991	-	44,991	16,703
Net Assets Released from Restrictions	475,413	(475,413)	-	-
Total Support and Revenues	7,078,517	(75,413)	7,003,104	3,972,988
Expenses				
Program Services				3,325,887
Sustainability Audits	3,562,759	-	3,562,759	-
Membership Education and Services	2,104,769	-	2,104,769	-
Total Program Services	5,667,528	-	5,667,528	3,325,887
Supporting Services				
General and Administrative	661,459	-	661,459	437,506
Fundraising	225,479	-	225,479	466,308
Total Supporting Service Expense	886,938	-	886,938	903,814
Total Expenses	6,554,466	-	6,554,466	4,229,701
Change in Net Assets	524,051	(75,413)	448,638	(256,713)
Net Assets, Beginning of Year	1,814,009	780,960	2,594,969	2,851,682
Net Assets, End of Year	\$ 2,338,060	\$ 705,547	\$ 3,043,607	\$ 2,594,969

See Accompanying Notes to Financial Statements

Local Independent Online News Publishers Inc.

**Statement of Functional Expenses
For The Year Ended December 31, 2023
With Comparative Totals For The Year Ended December 31, 2022**

	2023				2022	
	Sustainability Audits	Membership Education and Services	General and Administrative	Fundraising	Total	Total
Personnel	\$ 234,305	\$ 944,360	\$ 282,871	\$ 198,752	\$ 1,660,288	\$ 1,254,104
Grants	3,150,000	630,767	-	-	3,780,767	1,813,873
Contracted Program Services	116,584	247,058	-	-	363,642	452,767
Event Expenses	-	111,430	-	-	111,430	266,146
Professional Fees	57,188	105,228	248,242	10,310	420,968	247,312
Recruitment and Development	-	4,629	72,954	1,203	78,786	60,211
Travel	-	11,345	1,528	8,820	21,693	45,584
Online Services	4,682	32,563	10,316	3,710	51,271	34,402
Office Supplies	-	6,127	33,974	5	40,106	23,446
Miscellaneous	-	10,979	-	80	11,059	18,707
Insurance	-	-	7,653	-	7,653	7,960
Marketing	-	-	1,500	-	1,500	3,974
Dues	-	283	2,421	2,599	5,303	1,215
Total	\$ 3,562,759	\$ 2,104,769	\$ 661,459	\$ 225,479	\$ 6,554,466	\$ 4,229,701

See Accompanying Notes to Financial Statements

Local Independent Online News Publishers Inc.

**Statement of Cash Flows
For The Year Ended December 31, 2023
With Comparative Totals For The Year Ended December 31, 2022**

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities		
Increase (Decrease) in Net Assets	\$ 448,638	\$ (256,713)
Adjustments to Reconcile Increase (Decrease) in Net Assets to Net Cash Provided by (Used in) Operating Activities		
<u>(Increase) Decrease in Assets</u>		
Accounts and Contracts Receivable	(1,764,060)	(43,729)
Grants Receivable	(342,000)	392,000
Prepaid Expenses	(583)	(906)
<u>Increase (Decrease) in Liabilities</u>		
Accounts Payable and Accrued Expenses	1,212,233	181,796
Deferred Revenue	13,463	22,955
Net Cash Provided by (Used in) Operating Activities	<u>(432,309)</u>	<u>295,403</u>
Increase (Decrease) in Cash and Cash Equivalents	(432,309)	295,403
Cash and Cash Equivalents, Beginning of Year	<u>2,647,211</u>	<u>2,351,808</u>
Cash and Cash Equivalents, End of Year	<u>\$ 2,214,902</u>	<u>\$ 2,647,211</u>

See Accompanying Notes to Financial Statements

Local Independent Online News Publishers Inc.

Notes to Financial Statements December 31, 2023

1. ORGANIZATION

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 and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. LION's mission is to provide teaching, resources and community to independent news entrepreneurs as they build and develop sustainable businesses.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements are presented in accordance with the accrual basis of accounting, whereby revenue is recognized when earned and expenses are recognized when incurred.

The financial statements of LION have been prepared in accordance with U.S. generally accepted accounting principles (US GAAP), which requires LION to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of LION. These net assets may be used at the discretion of management and the Board of Directors.

Net Assets With Donor Restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of LION or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. When the restrictions on contributions are met in the same period that the contribution is received, the contribution is reported in the statement of activities as revenues with without donor restrictions.

Use of Estimates

The preparation of financial statements in conformity with US 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.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported change in net assets.

Cash Equivalents

For purposes of the statement of cash flows, LION considers all short-term debt securities purchased with an initial maturity of three months or less to be cash equivalents.

Local Independent Online News Publishers Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts and Contracts Receivable

LION records accounts and contracts receivable, consisting of sponsorships and contracts due to LION, net of allowances for doubtful accounts based on expected collections. The allowances are determined based on a review of the estimated collectability of the specific accounts, plus a general provision based on historical experience, current conditions, and reasonable and supportable forecasts. There was no allowance deemed necessary as of December 31, 2023.

Grants Receivable

Grants receivable are stated at unpaid balances, less an allowance for doubtful accounts. Uncollectible grants receivable are charged off when management determines the receivable will not be collected. There was no allowance deemed necessary as of December 31, 2023.

All grants receivable are expected to be collected within one year with the exception of \$200,000 which is expected to be collected in 2025.

Property and Equipment

Property and equipment are capitalized at cost if unit costs exceed \$3,000. Otherwise the items are expensed when paid, including repairs and maintenance. Depreciation is computed on the straight-line method over the estimated useful life of the asset. There was no property and equipment as of December 31, 2023.

Revenue Recognition

LION recognizes revenue from contracts when promised goods or services (referred to as performance obligations) are transferred to customers for the amount LION expects to receive in exchange for those goods and services. During the year, LION continued to enter into program contracts in which the customer owns rights to any results and deliverables developed as part of the contract. 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.

Conference revenues include amounts paid by or on behalf of attendees and sponsors and include 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 statement of functional expenses. Fees are collected either at the time of registration, in advance resulting in a deferred revenue balance, or at the time that the convention takes place and immediately recognized as revenue.

Local Independent Online News Publishers Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition (Continued)

Membership dues are recognized on a pro-rata basis over the membership periods to which they apply. Membership dues received in advance are deferred to the periods to which they relate.

Grants and contributions, including unconditional promises to give, are recognized as revenues in the period received or pledged. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets, other than cash, are recorded at their estimated fair value at the date of gift. Contributed services and materials are recorded at their estimated fair value if they would otherwise be purchased if not provided by donation and provided by professionals in their field. Management considers all outstanding contributions receivable amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

See Note 5 for description of LION's conditional awards as of December 31, 2023.

Revenue for contributed services (in-kind) are recognized 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 \$98,095 for the year ended December 31, 2023. These services are valued at the estimated fair value, as determined by the legal firm, in the accompanying financial statements based on current rates for similar services. LION is also the recipient of various donated administrative services and discounts totaling \$22,501 for the year ended December 31, 2023.

Functional Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, the categories of expenses that are attributable to more than one program or supporting function have been allocated among the programs and supporting services based on employee time and effort.

Income Taxes

LION is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements.

Under that guidance, LION may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of LION and various positions related to the potential sources of unrelated business taxable income (UBIT).

Local Independent Online News Publishers Inc.

Notes to Financial Statements December 31, 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes (Continued)

The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities at December 31, 2023.

LION's policy would be to recognize interest and penalties, if any, on tax positions related to its unrecognized tax benefits in income tax expense in the financial statements. No interest and penalties were assessed or recorded during 2023. LION's IRS Forms 990 that have been filed are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

Comparative Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundation's financial statements for the year ended December 31, 2022, from which the summarized information was derived.

New Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, Financial Instruments – Credit Losses (Topic 326). This guidance requires LION to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This standard was adopted in the current fiscal year and did not have a significant impact on the financial statements.

Subsequent Events

Management has evaluated subsequent events through July 25, 2024 the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date, but disclosures of such events, if any, are included in the accompanying notes.

3. CONCENTRATION OF CREDIT RISK

LION maintains its cash balances in bank accounts insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. At times its balances may exceed these limits. LION has not experienced any losses in such accounts and believes that there is no significant exposure to any significant credit risk for cash.

All of LION's accounts and contracts receivable were due from one customer as of December 31, 2023. All of LION's grants receivable were due from one donor as of December 31, 2023.

Local Independent Online News Publishers Inc.

Notes to Financial Statements December 31, 2023

3. CONCENTRATION OF CREDIT RISK (CONTINUED)

Approximately 72% of LION's grants and contributions were generated from one grantor for the year ended December 31, 2023. Approximately 99% of LION's contracts revenue was generated from one customer for the year ended December 31, 2023.

4. NET ASSETS

Net assets with donor restrictions as of December 31, 2023 were as follows:

	Beginning of Year	Contributions	Releases	End of Year
Educational Programs	\$ 700,960	\$ -	\$ (395,413)	\$ 305,547
Growth and Development	80,000	-	(80,000)	-
Time Restricted	-	400,000	-	400,000
	<u>\$ 780,960</u>	<u>\$ 400,000</u>	<u>\$ (475,413)</u>	<u>\$ 705,547</u>

Net assets without donor restrictions as of December 31, 2023 were not designated.

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 \$1,628,334 as of December 31, 2023, 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, 2023, as the barriers have not yet been overcome.

6. RETIREMENT BENEFITS

LION maintains a 401(k) retirement plan for all covered 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 \$43,386 in matching contributions during the year ended December 31, 2023, which are included in personnel in the accompanying statement of functional expenses.

7. RELATED PARTY TRANSACTIONS

During the year, LION provided awards and honorariums to committee members or organizations related to key management and Board members totaling approximately \$3,700. Additionally, LION awarded grants to organizations related to key management and Board members totaling approximately \$49,000 during the year. The related parties were subject to the same selection criteria as other member organizations for acceptance into the programs and the same deliverable requirements in order to receive the grant funding.

Local Independent Online News Publishers Inc.

**Notes to Financial Statements
December 31, 2023**

9. AVAILABILITY AND LIQUIDITY

The following represents LION's financial assets at December 31, 2023:

Financial Assets at Year End:	
Cash and Cash Equivalents	\$ 2,214,902
Accounts and Contracts Receivable	<u>2,062,300</u>
Total Financial Assets	<u>4,677,202</u>
Less Amounts Not Available To Be Used Within One Year:	
Net Assets With Donor Restrictions	(705,547)
Less: Net Assets With Purpose Restrictions To Be Met in Less Than a Year	<u>505,547</u>
	<u>(200,000)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 4,477,202</u>

As part of the LION's liquidity management plan, cash in excess of daily requirements is transferred to income-generating accounts, when practical.