

**AMERICAN JOURNALISM PROJECT, INC.**

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

**For the Years Ended December 31, 2020 and 2019**



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

**DECEMBER 31, 2020 AND 2019**

**CONTENTS**

<b>REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS</b>	1
<b>FINANCIAL STATEMENTS</b>	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to the Financial Statements	8



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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 statements of financial position of American Journalism Project, Inc. (AJP), as of December 31, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Washington, D.C.  
June 9, 2021

*SB & Company, LLC*

# AMERICAN JOURNALISM PROJECT, INC.

## Statements of Financial Position As of December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash	\$ 16,345,158	\$ 15,381,417
Accounts receivable	2,158,600	16,850
Websites, net	76,755	40,524
Prepaid expenses and other	7,933	8,286
<b>Total Assets</b>	<b><u>\$ 18,588,446</u></b>	<b><u>\$ 15,447,077</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 42,557	\$ 74,813
Accrued expenses	68,083	116,881
Grants payable	-	89,000
<b>Total Liabilities</b>	<b><u>110,640</u></b>	<b><u>280,694</u></b>
<b>Net Assets</b>		
Without donor restrictions	16,252,806	15,166,383
With donor restrictions	2,225,000	-
<b>Total Net Assets</b>	<b><u>18,477,806</u></b>	<b><u>15,166,383</u></b>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 18,588,446</u></b>	<b><u>\$ 15,447,077</u></b>

The accompanying notes are an integral part of these financial statements.

# AMERICAN JOURNALISM PROJECT, INC.

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

	<u>2020</u>	<u>2019</u>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
<b>Revenue</b>		
Contributions:		
Foundations	\$ 8,359,160	\$ 17,546,625
Individuals	595,097	503,250
Consulting income	177,000	-
In-kind revenue	22,500	-
<b>Total Revenue Without Donor Restrictions</b>	<u>9,153,757</u>	<u>18,049,875</u>
<b>Expenses</b>		
Grantmaking	6,890,244	1,939,291
Management and General	612,888	583,672
Fundraising	564,202	360,529
<b>Total Expenses</b>	<u>8,067,334</u>	<u>2,883,492</u>
<b>Change in Net Assets Without Donor Restrictions</b>	<u>1,086,423</u>	<u>15,166,383</u>
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Contributions	<u>2,225,000</u>	-
Changes in total net assets	3,311,423	15,166,383
Net Assets, Beginning of Year	15,166,383	-
<b>Net Assets, End of Year</b>	<u>\$ 18,477,806</u>	<u>\$ 15,166,383</u>

The accompanying notes are an integral part of these financial statements.

**AMERICAN JOURNALISM PROJECT, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2020 with Comparative 2019 Totals**

	2020				2019 Total
	Grantmaking	Management and General	Fundraising	Total	
Salaries	\$ 976,799	\$ 251,432	\$ 425,334	\$ 1,653,565	\$ 481,052
Payroll taxes	70,313	19,640	28,901	118,854	37,057
Health benefits	47,954	17,627	25,524	91,105	19,085
Grants	4,889,921	-	-	4,889,921	1,243,498
Professional fees	823,658	285,572	67,061	1,176,291	925,563
Travel	19,321	895	3,826	24,042	122,063
Occupancy	27,750	4,675	4,281	36,706	33,488
Dues and subscriptions	16,730	186	6,281	23,197	7,175
Printing and reproduction	283	115	838	1,236	1,489
Marketing	879	2,269	58	3,206	1,330
Telephone and communication	231	2,920	290	3,441	667
Event expense	10,514	-	-	10,514	-
Office supplies	74	980	58	1,112	214
Bank fees	-	885	38	923	-
Postage & delivery	73	224	29	326	-
Amortization	-	15,378	-	15,378	-
Non-capital equipment	5,744	10,090	1,683	17,517	10,811
<b>Total Expenses</b>	<b>\$ 6,890,244</b>	<b>\$ 612,888</b>	<b>\$ 564,202</b>	<b>\$ 8,067,334</b>	<b>\$ 2,883,492</b>

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
<b>Total Expenses</b>	<b>\$ 1,939,291</b>	<b>\$ 583,672</b>	<b>\$ 360,529</b>	<b>\$ 2,883,492</b>

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



# AMERICAN JOURNALISM PROJECT, INC.

## Statements of Cash Flows For the Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
<b>Cash Flows from Operating Activities</b>		
Changes in net assets	\$ 3,311,423	\$ 15,166,383
Adjustments to reconcile change in net assets to net cash from operating activities:		
Amortization	15,378	-
Effects of changes in non-cash operating assets and liabilities:		
Accounts receivable	(2,141,750)	(16,850)
Prepaid expenses and other	353	(8,286)
Accounts payable	(32,256)	74,813
Accrued expenses	(48,798)	116,881
Grants payable	(89,000)	89,000
<b>Net Cash from Operating Activities</b>	<u>1,015,350</u>	<u>15,421,941</u>
<b>Cash Flows from Investing Activities</b>		
Website development	<u>(51,609)</u>	<u>(40,524)</u>
Net Change in Cash	963,741	15,381,417
Cash, Beginning of Year	15,381,417	-
<b>Cash, End of Year</b>	<u>\$ 16,345,158</u>	<u>\$ 15,381,417</u>

The accompanying notes are an integral part of these financial statements.

# AMERICAN JOURNALISM PROJECT, INC.

## Notes to the Financial Statements December 31, 2020 and 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 AJP 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, 2020 and 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, 2020 and 2019, AJP had \$16,084,978 and \$15,086,917, in excess of FDIC insured limits, respectively. 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. AJP's estimate is based on historical collection experience and a review of the current status of specific contributions and grant receivables. Management deems all accounts receivable to be fully collectible as of December 31, 2020 and 2019, and as such, has not recorded an allowance for doubtful accounts.

#### **Websites**

AJP capitalizes all equipment and software development and/or purchases over \$5,000 at cost, with an estimated useful life of more than one year. AJP placed their website in service during the year and recognized amortization expense using the straight-line method over three years. The website development cost is being amortized using the straight-line method over three years.

#### **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, 2020, AJP had \$2,225,000 in net assets with donor restrictions. There were no net assets with donor restrictions as of December 31, 2019.

# AMERICAN JOURNALISM PROJECT, INC.

## Notes to the Financial Statements December 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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.

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.

Consulting income is recognized when services are provided.

#### In-Kind Services

AJP recognizes contributed services if the services meet any of the following criteria: a) they create or enhance non-financial assets; or b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Contributed services are recorded at their fair value at the date of the receipt and are recorded as in-kind revenue and program expenses in the accompanying statements of activities and changes in net assets. Management estimated the value of the in-kind consulting services based on the hours donated and the market rate for the value of the time. The in-kind services were \$22,500 for the year ended December 31, 2020. There were no in-kind services during the year ended December 31, 2019.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities and changes in net assets and the statements 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. Fundraising and 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.

## AMERICAN JOURNALISM PROJECT, INC.

### Notes to the Financial Statements December 31, 2020 and 2019

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

##### 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, 2020 and 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. As of December 31, 2020, the statute of limitations for fiscal years 2019 through 2020, remain open with the U.S. Federal jurisdiction or the various states and local jurisdictions in which AJP files tax returns. It is AJP's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in income tax expense.

##### Implemented Accounting Pronouncement

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (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. AJP implemented ASU 2018-08 for the year ended December 31, 2020.

##### Recent Accounting Pronouncement

In July 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which presents contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets. This standard is effective retrospectively for annual reporting periods beginning after June 15, 2021, and interim periods with annual reporting periods beginning after June 15, 2022.

Management is evaluating the effect of this pronouncement on the financial statements and will implement this pronouncement by its effective date.

# AMERICAN JOURNALISM PROJECT, INC.

## Notes to the Financial Statements December 31, 2020 and 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Liquidity and Availability of Resources

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

	<u>2020</u>	<u>2019</u>
Cash	\$ 16,345,158	\$ 15,381,417
Accounts receivable	2,158,600	16,850
	<u>18,503,758</u>	<u>15,398,267</u>
Less: net assets with donor restrictions not available for general expenses within one year	<u>1,500,000</u>	-
Financial assets available to meet cash needs	<u>\$ 17,003,758</u>	<u>\$ 30,796,534</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.

#### Subsequent Events

AJP evaluated the accompanying financial statements for subsequent events and transactions through June 9, 2021, the date these financial statements were available for issue and have determined that no material subsequent events have occurred, other than as noted in Note 6 – Loan Guarantee, that would affect the information presented in the accompanying financial statements or require additional disclosure.

### 3. ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2020 and 2019, were as follows:

	<u>2020</u>	<u>2019</u>
Amounts due in:		
Less than one year	\$ 1,408,600	\$ 16,850
One to five years	750,000	-
<b>Total</b>	<u><u>2,158,600</u></u>	<u><u>16,850</u></u>

The discount rate used was 0.17% for amounts due more than one year. No amount was recorded as the amount calculated was not material.

## AMERICAN JOURNALISM PROJECT, INC.

### Notes to the Financial Statements December 31, 2020 and 2019

#### 4. WEBSITES

As of December 31, 2020 and 2019, the website balance is as follows:

	<u>2020</u>	<u>2019</u>	<u>Useful Life</u>
Website	\$ 46,133	\$ 40,524	3 years
Website in process	46,000	-	
Total	<u>92,133</u>	<u>40,524</u>	
Less: accumulated amortization	15,378	-	
<b>Websites, Net</b>	<u>\$ 76,755</u>	<u>\$ 40,524</u>	

The website was completed during the year ended December 31, 2020, and amortization of \$15,378 was recognized. There was no amortization expense as of December 31, 2019.

#### 5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of December 31, 2020 were comprised of the following:

	<u>2020</u>
Grantmaking	\$ 850,000
Time restricted	1,375,000
<b>Total</b>	<u>\$ 2,225,000</u>

There were no net assets with donor restrictions as of the year ended December 31, 2019.

#### 6. COMMITMENTS

##### Conditional Grants

Grants expense in the accompanying statements of functional expenses consists of unconditional grant payments made to thirteen 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 payment terms in 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.

## AMERICAN JOURNALISM PROJECT, INC.

### Notes to the Financial Statements December 31, 2020 and 2019

#### 6. COMMITMENTS (continued)

The following table represents the total grant commitments made as of December 31, 2020, to be paid in the future.

Committed grants for the year ended	<u>Amount</u>
December 31, 2021	\$ 3,407,174
December 31, 2022	1,761,900
December 31, 2023	176,500
<b>Total committed grants</b>	<b><u>\$ 5,345,574</u></b>

As of December 31, 2020, AJP had received conditional grants from grantors totaling \$16,600,000. These conditional grants have not yet been recorded as revenue as they are conditional upon securing fundraising targets to advance the purpose of the grants. These conditional grants are considered commitments and these commitments will be recorded as revenue once the conditions of the grants are satisfied.

#### Loan Guarantee

On April 22, 2021, AJP signed a loan guarantee relative to the loan agreement dated April 28, 2021 between FJC and National Trust for Local News. AJP has guaranteed \$250,000 which represents 16.7% of the loan amount. The maturity date of the loan is April 30, 2026.

#### 7. CONCENTRATION OF RISK

AJP received contributions from 5 foundations which made individual contributions representing more than 10% of AJP's total revenue. The total revenue from these foundations was \$8,950,000 and \$15,050,000, approximately 85% and 86% of Foundation revenue, for the years ending December 31, 2020 and 2019, respectively. As of December 31, 2020, the total grants receivable from these foundations was \$2,000,000 which represented 93% of the grants receivable balance. The receivable balance as of December 31, 2019 did not include any receivables from these foundations. A significant reduction in the level of support from these organizations, if it were to occur, may have a significant effect on AJP's programs and activities.