

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2019**

THE NEWS LITERACY PROJECT, INC.

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CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The News Literacy Project, Inc.
Bethesda, Maryland

We have audited the accompanying financial statements of The News Literacy Project, Inc. (The NLP), which comprise the statement of financial position as of June 30, 2020, 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 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 The NLP as of June 30, 2020, 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.

4550 MONTGOMERY AVENUE · SUITE 800 NORTH · BETHESDA, MARYLAND 20814
(301) 951-9090 · WWW.GRFCPA.COM

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Report on Summarized Comparative Information

We have previously audited The NLP's 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

October 27, 2020

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

ASSETS

	<u>2020</u>	<u>2019</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,283,067	\$ 1,566,055
Investments	1,746,756	1,506,965
Grants and other receivables	701,550	2,058,418
Prepaid expenses	<u>1,400</u>	<u>3,696</u>
Total current assets	<u>3,732,773</u>	<u>5,135,134</u>
CAPITAL ASSETS		
Software development	789,238	514,736
Website development	<u>116,188</u>	<u>116,188</u>
	905,426	630,924
Less: Accumulated amortization	<u>(189,996)</u>	<u>(63,811)</u>
Net capital assets	<u>715,430</u>	<u>567,113</u>
OTHER ASSETS		
Security deposit	5,700	5,700
Trademark	6,400	7,466
Grants and other receivables, net of discount totaling \$117,097	<u>2,932,903</u>	<u>2,856,024</u>
Total other assets	<u>2,945,003</u>	<u>2,869,190</u>
TOTAL ASSETS	<u>\$ 7,393,206</u>	<u>\$ 8,571,437</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Federal loan payable	\$ 169,506	\$ -
Accounts payable and accrued liabilities	<u>175,685</u>	<u>275,618</u>
Total current liabilities	<u>345,191</u>	<u>275,618</u>
LONG-TERM LIABILITIES		
Federal loan payable, net of current portion	<u>190,694</u>	<u>-</u>
Total liabilities	<u>535,885</u>	<u>275,618</u>
NET ASSETS		
Without donor restrictions	2,266,540	2,759,006
With donor restrictions	<u>4,590,781</u>	<u>5,536,813</u>
Total net assets	<u>6,857,321</u>	<u>8,295,819</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,393,206</u>	<u>\$ 8,571,437</u>

See accompanying notes to financial statements.

THE NEWS LITERACY PROJECT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019**

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,145,821	\$ 1,061,879	\$ 2,207,700	\$ 9,441,878
Program income	222,553	-	222,553	108,980
Contributed services	749,713	-	749,713	109,730
Investment income (loss)	25,542	-	25,542	(69,250)
Loss on disposal of asset	-	-	-	(95,903)
Net assets released from donor restrictions	<u>2,007,911</u>	<u>(2,007,911)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>4,151,540</u>	<u>(946,032)</u>	<u>3,205,508</u>	<u>9,495,435</u>
EXPENSES				
Program Services:				
Communications	1,728,854	-	1,728,854	708,117
Education	1,257,272	-	1,257,272	867,434
Educator Service	256,646	-	256,646	315,374
Partnerships	<u>91,154</u>	<u>-</u>	<u>91,154</u>	<u>602,942</u>
Total program services	<u>3,333,926</u>	<u>-</u>	<u>3,333,926</u>	<u>2,493,867</u>
Supporting Services:				
Management and General	616,718	-	616,718	566,315
Fundraising	<u>693,362</u>	<u>-</u>	<u>693,362</u>	<u>500,552</u>
Total supporting services	<u>1,310,080</u>	<u>-</u>	<u>1,310,080</u>	<u>1,066,867</u>
Total expenses	<u>4,644,006</u>	<u>-</u>	<u>4,644,006</u>	<u>3,560,734</u>
Change in net assets	(492,466)	(946,032)	(1,438,498)	5,934,701
Net assets at beginning of period	<u>2,759,006</u>	<u>5,536,813</u>	<u>8,295,819</u>	<u>2,361,118</u>
NET ASSETS AT END OF PERIOD	<u>\$ 2,266,540</u>	<u>\$ 4,590,781</u>	<u>\$ 6,857,321</u>	<u>\$ 8,295,819</u>

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	2020									2019	
	Program Services					Supporting Services				Total Expenses	Total Expenses
	Communications	Education	Educator Service	Partnerships	Total Program Services	Management and General	Fundraising	Total Supporting Services			
Salaries and benefits	\$ 773,099	\$ 865,437	\$ 201,072	\$ 90,305	\$ 1,929,913	\$ 408,380	\$ 622,872	\$ 1,031,252	\$ 2,961,165	\$ 2,325,304	
Travel	16,017	123,015	8,390	-	147,422	50,849	13,825	64,674	212,096	223,794	
Technology	70,426	47,291	37	849	118,603	4,813	-	4,813	123,416	116,243	
Occupancy	640	1,709	350	-	2,699	68,214	-	68,214	70,913	67,586	
Consulting fees	90,561	17,780	46,500	-	154,841	-	6,564	6,564	161,405	275,228	
Accounting/audit	-	-	-	-	-	19,387	-	19,387	19,387	58,242	
Amortization	23,238	102,947	-	-	126,185	1,066	-	1,066	127,251	58,283	
Advertising and promotion	31,659	53,844	-	-	85,503	-	839	839	86,342	186,144	
Events and meetings	1,273	10,418	4	-	11,695	10,548	2,061	12,609	24,304	24,550	
Bank fees	-	34	-	-	34	7,200	362	7,562	7,596	6,791	
Other	4,562	21,277	293	-	26,132	38,560	35,726	74,286	100,418	108,839	
In-kind expenses	717,379	13,520	-	-	730,899	7,701	11,113	18,814	749,713	109,730	
TOTAL	\$ 1,728,854	\$ 1,257,272	\$ 256,646	\$ 91,154	\$ 3,333,926	\$ 616,718	\$ 693,362	\$ 1,310,080	\$ 4,644,006	\$ 3,560,734	

See accompanying notes to financial statements.

THE NEWS LITERACY PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2020
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (1,438,498)	\$ 5,934,701
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Amortization	127,251	58,283
Unrealized loss	18,464	-
Realized gain on sales of investments	-	94,956
Gain on disposal of asset	-	95,903
Donated securities	-	(1,213,619)
Change in present value discount	(26,879)	143,976
Decrease (increase) in:		
Grants and other receivables	1,306,868	(4,835,743)
Prepaid expenses	2,296	(1,219)
Security deposit	-	(2,500)
(Decrease) increase in:		
Accounts payable and accrued liabilities	<u>(99,933)</u>	<u>198,154</u>
Net cash (used) provided by operating activities	<u>(110,431)</u>	<u>472,892</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	(274,502)	(328,596)
Purchase of investments	(258,255)	(1,544,972)
Proceeds from sale of investments	<u>-</u>	<u>1,953,289</u>
Net cash (used) provided by investing activities	<u>(532,757)</u>	<u>79,721</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from federal loan payable	<u>360,200</u>	<u>-</u>
Net cash provided by financing activities	<u>360,200</u>	<u>-</u>
Net (decrease) increase in cash and cash equivalents	(282,988)	552,613
Cash and cash equivalents at beginning of period	<u>1,566,055</u>	<u>1,013,442</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>\$ 1,283,067</u>	<u>\$ 1,566,055</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The News Literacy Project, Inc. (The NLP) is a non-profit organization, incorporated in the State of Maryland. The NLP is a non-partisan national education non-profit that works with educators and journalists to teach middle school and high school students how to sort fact from fiction in the digital age. The NLP provides these students with the essential skills they need to become smart, active consumers of news and information and engaged, informed citizens.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets are reported within two net asset classifications: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

- **Net Assets Without Donor Restrictions** - Net assets available for use in general operations and not subject to donor restrictions are recorded as "net assets without donor restrictions". Assets restricted solely through the actions of the Board are referred to as Board Designated and are also reported as net assets without donor restrictions.
- **Net Assets With Donor Restrictions** - Contributions restricted by donors are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in "net assets with donor restrictions", depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities and Change in Net Assets as net assets released from donor restrictions. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue without donor restrictions when the assets are placed in service.

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 NLP's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

New accounting pronouncements adopted -

During 2019, The NLP early adopted Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606), as amended. The ASU provides a framework for recognizing revenue and is intended to improve comparability of revenue recognition practices across for-profit and non-profit entities. Analysis of the various provisions of this standard resulted in no significant changes in the way The NLP recognized revenue; however, the presentation and disclosures of revenue have been enhanced. The NLP has elected to opt out of all (or certain) disclosures not required for nonpublic entities and also elected a modified retrospective approach for implementation.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

New accounting pronouncements adopted (continued) -

Also during 2019, The NLP adopted ASU 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve the scope and the accounting guidance for contributions received and contributions made. Key provisions in this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance to better distinguish between conditional and unconditional contributions. The NLP adopted the ASU using a modified prospective basis.

Cash and cash equivalents -

The NLP considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents, excluding money market funds.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year ended, The NLP maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized, unrealized gains and losses and management fees are included in investment income in the Statement of Activities and Change in Net Assets. Investments acquired by donation are recorded at their fair value at the date of the donation.

Grants and other receivables -

Grants and other receivables are recorded at their net realizable value, which approximates fair value. Grants receivable that are expected to be collected in future years are recorded at fair value, measured as the present value of their future cash flows. The discounts on these amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in grants and contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and accounts receivable are considered by management to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Capital assets -

Costs incurred for the development and implementation of the website and software in excess of \$1,000 are capitalized and stated at cost. Capital assets are amortized on a straight-line basis over five years. Costs incurred for the ongoing maintenance of the existing website and software are expensed as incurred. The capitalization and ongoing assessment of recoverability of development costs incurred require considerable judgment by management with respect to certain external factors, including, but not limited to, technological and economic feasibility and estimated economic life.

There was no impairment noted for the year ended June 30, 2020. Amortization expense for the year ended June 30, 2020 totaled \$127,251, which includes \$1,066 of amortization on the trademark.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Intangible asset -

The NLP has adopted *Financial Accounting Standards Board (FASB) ASC 350-35-6, Goodwill and Other Intangible Assets*. In connection with the adoption of this standard, The NLP's trademark is being amortized on a straight-line basis over ten years. Management believes there has been no impairment for the year ended June 30, 2020. The balance of the trademark remaining to be amortized was \$6,400.

Income taxes -

The NLP is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The NLP is not a private foundation.

Uncertain tax positions -

For the year ended June 30, 2020, The NLP has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Grants and contributions -

The majority of The NLP's revenue is received through grant and contributions from foundations and other entities. Grants and contributions are recognized in the appropriate category of net assets in the period received. The NLP performs an analysis of the individual grant and contribution to determine if the revenue streams follow the contribution rules or if they should be recorded as an exchange transaction depending upon whether the transactions are deemed reciprocal or nonreciprocal.

For grants and contributions and contracts qualifying under the contribution rules, revenue is recognized upon notification of the award and satisfaction of all conditions, if applicable. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions qualifying as contributions that are unconditional that have donor restrictions are recognized as "without donor restrictions" only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions; such funds in excess of expenses incurred are shown as net assets with donor restrictions in the accompanying financial statements.

Grants and contributions qualifying as conditional contributions contain a right of return and a barrier. Revenue is recognized when the condition or conditions are satisfied. These transactions are nonreciprocal and classified as conditional and are recognized as contributions when the revenue becomes unconditional. Typically, these agreements also contain a right of return or right of release from obligation provision and the entity has limited discretion over how funds transferred should be spent.

As such, The NLP recognizes revenue for these conditional contributions when the related barrier has been overcome (generally, when qualifying expenditures are incurred). Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Grants and contributions (continued) -

Grants classified as exchange transactions follow ASU 2014-09, *Revenue from Contracts With Customers* and record revenue when the performance obligations are met. The revenue is recorded directly to without donor restrictions and the transaction price is based on expenses incurred in compliance with the criteria stipulated in the grant or contract agreements. Grants receivable represents amounts due from funding organizations for which performance obligations have been met. Funding received in advance of incurring the related expenses is recorded as deferred revenue.

Program income -

Program income consists of subscriptions to The NLP's virtual classroom Checkology, which is a browser-based platform, designed for students to help the next generation to easily identify misinformation. Revenue is recognized as performance obligations are satisfied, which is when the students are provided the access to the software. Transaction price is determined based on cost and/or sales price.

Contributed services -

Contributed services consist of donated services in support of its programs and recorded at their fair market value as of the date of the service. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills that would otherwise be purchased by The NLP.

Use of estimates -

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses directly attributed to a specific functional area of The NLP are reported as direct expenses to the programmatic area and those expenses that benefit more than one function are allocated on a basis of estimated time and effort or other reasonable basis.

Risks and uncertainties -

The NLP invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying financial statements.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**
(Continued)

Fair value measurement -

The NLP adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. The NLP accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

Economic uncertainties -

On March 11, 2020, the World Health Organization declared the Coronavirus disease (COVID-19) a global pandemic. As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively impact The NLP's operations. The overall potential impact is unknown at this time.

New accounting pronouncement (not yet adopted) -

FASB issued ASU 2019-01, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statement of Financial Position and disclosing key information about leasing arrangements. During 2020, the FASB issued ASU 2020-05 and delayed the implementation date by one year. The ASU is effective for non public entities beginning after December 15, 2021. Early adoption is still permitted. The ASU can be applied at the beginning of the earliest period presented using a modified retrospective approach or applied at the beginning of the period of adoption recognizing a cumulative-effect adjustment.

The NLP plans to adopt the new ASU at the required implementation date and management is currently in the process of evaluating the adoption method and the impact of the new standard on its accompanying financial statements.

2. **INVESTMENTS**

In accordance with FASB ASC 820, *Fair Value Measurement*, The NLP has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on unadjusted quoted prices for identical assets in an active market The NLP has the ability to access.

Level 2. These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

2. INVESTMENTS (Continued)

Level 3. These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There were no transfers between levels in the fair value hierarchy during the years ended June 30, 2020. Transfers between levels are recorded at the end of the reporting period, if applicable.

- *Money market fund* - The money market fund is an open-end funds that is registered with the Securities and Exchange Commission (SEC) and is deemed to be actively traded.
- *Mutual fund* - Valued at the daily closing price as reported by the fund. Mutual funds held by The NLP are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily value and to transact at that price. Mutual funds held by The NLP are deemed to be actively traded.

The table below summarizes, the investments measured at fair value on a recurring basis, by level within the fair value hierarchy June 30, 2020.

	Level 1	Level 2	Level 3	Total June 30, 2020
Asset Class:				
Money Market Fund	\$ 1,248,907	\$ -	\$ -	\$ 1,248,907
Mutual Funds	497,849	-	-	497,849
	\$ 1,746,756	\$ -	\$ -	\$ 1,746,756

Included in net investment gain are the following:

Interest and dividends	\$ 44,006
Unrealized loss	(18,464)
INVESTMENT GAIN, NET	\$ 25,542

3. GRANTS RECEIVABLE

As of June 30, 2020, contributors to The NLP have made written promises to give totaling \$3,751,550. Amounts due beyond one year of the Statement of Financial Position date have been recorded at the present value of the estimated cash flows, using a discount rate of 2.00%.

Grants are due as follows at June 30, 2020:

Less than one year	\$ 701,550
One to five years	3,050,000
Total	3,751,550
Less: Discount balance to present value	(117,097)
GRANTS RECEIVABLE	\$ 3,634,453

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4. FEDERAL LOAN PAYABLE

On April 9, 2020, The NLP received loan proceeds in the amount of \$360,200 under the Paycheck Protection Program. The promissory note calls for monthly principal and interest payments amortized over the term of the promissory note with a deferral of payments for the first six months. Under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the promissory note may be forgiven by the Small Business Administration in whole or in part.

The NLP intends to use the proceeds for purposes consistent with the Paycheck Protection Program and believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan. The NLP intends to apply for forgiveness after completing the 24 week period. If forgiveness is granted, The NLP will record revenue from debt extinguishments in the period that forgiveness was approved.

Principal payments as stated in the promissory note are due as follows unless otherwise forgiven:

Year Ending June 30,

2021	\$ 169,506
2022	<u>190,694</u>
	<u>\$ 360,200</u>

5. LINE OF CREDIT

On July 11, 2018, The NLP entered into a \$250,000 line of credit agreement with a financial institution that bears an interest rate of 5.25%. The line of credit is secured by cash and money market funds held in accounts at the same financial institution. The line of credit was renewed on June 30, 2020 with a maturity date of January 1, 2021. The line of credit was also increased to \$500,000. During the year ended June 30, 2020, The NLP has not drawn any amounts on this line of credit.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2020:

Subject to expenditure for specified purpose	\$ 3,641,761
Subject to passage of time	<u>949,020</u>
NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 4,590,781</u>

The following net assets with donor restrictions were released from donor restrictions by incurring expenses (or through the passage of time) which satisfied the restricted purposes specified by the donors:

Purpose restrictions accomplished	\$ 1,557,911
Timing restrictions accomplished	<u>450,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 2,007,911</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7. LIQUIDITY AND AVAILABILITY

Financial assets available for use for general expenditures within one year of the Statement of Financial Position date comprise the following:

Cash and cash equivalents	\$ 1,283,067
Investments	1,746,756
Grants and other receivables	<u>3,634,453</u>
Subtotal financial assets available	6,664,276
Less: Donor restricted funds by purpose	<u>(3,641,761)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS FOR
GENERAL EXPENDITURES WITHIN ONE YEAR** **\$ 3,022,515**

The NLP has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2020, The NLP has financial assets equal to approximately 7 months of operating expenses. In addition, The NLP has a line of credit agreement (as further discussed in Note 5 which allows for additional available borrowings up to \$500,000.

8. CONTRIBUTED SERVICES

During the year ended June 30, 2020, The NLP was the beneficiary of donated services, which allowed The NLP to provide greater resources toward various programs.

The following donations have been included in revenue and expense for the year ended June 30, 2020.

Media print ads	\$ 717,379
Journalists and editorial services	13,520
Professional services	7,701
Other	<u>11,113</u>
TOTAL CONTRIBUTED SERVICES	\$ <u>749,713</u>

9. OCCUPANCY

In August of 2018, The NLP signed a twenty-four month lease agreement for office space with a rent commencement date of September 1, 2018 and an initial termination date of August 31, 2020. Upon the ending date, the agreement can be automatically renewed and extended for an additional period of one year, but in no event beyond December 31, 2024. The lease has since been formally extended with a current termination date of August 31, 2021. The lease has a base rent of \$5,700 per month. After the initial term, the monthly rent will increase by three percent (3%) on an annual basis. The following is a schedule of the future minimum lease payments:

Year Ending June 30, 2019

2021	\$ 68,400
2022	<u>11,400</u>
	\$ <u>79,800</u>

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

9. OCCUPANCY (Continued)

Rent expense for the year ended June 30, 2020 totaled \$70,913.

10. RETIREMENT PLAN

The NLP has a retirement plan (the Plan) under IRS Section 401(k) of the Internal Revenue Code. Participation in the Plan is available to all employees who have completed 90 days of service and have attained the age of twenty-one.

The NLP may elect to make a voluntary year-end contribution to the retirement accounts of eligible employees. During the year ended June 30, 2020 total retirement expense was \$85,905.

11. SUBSEQUENT EVENTS

In preparing these financial statements, The NLP has evaluated events and transactions for potential recognition or disclosure through October 27, 2020, the date the financial statements were issued.