

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2016**

THE NEWS LITERACY PROJECT, INC.

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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 December 31, 2017, 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 December 31, 2017, 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.

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Report on Summarized Comparative Information

We have previously audited The NLP's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 28, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Gelman Rosenberg & Freedman

September 25, 2018

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

ASSETS		<u>2017</u>	<u>2016</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,687,947	\$ 555,770
Grants and other receivables		170,200	174,888
Prepaid expenses		<u>5,322</u>	<u>759</u>
Total current assets		<u>1,863,469</u>	<u>731,417</u>
CAPITAL ASSETS			
Software development		254,966	250,000
Website development		<u>69,478</u>	<u>43,265</u>
		324,444	293,265
Less: Accumulated amortization		<u>(151,438)</u>	<u>(92,785)</u>
Net capital assets		<u>173,006</u>	<u>200,480</u>
OTHER ASSETS			
Security deposit		3,200	1,200
Trademark		<u>9,599</u>	<u>10,666</u>
Total other assets		<u>12,799</u>	<u>11,866</u>
TOTAL ASSETS	\$	<u>2,049,274</u>	\$ <u>943,763</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
Accounts payable and accrued liabilities	\$	<u>81,527</u>	\$ <u>60,023</u>
NET ASSETS			
Unrestricted		602,084	207,810
Temporarily restricted		<u>1,365,663</u>	<u>675,930</u>
Total net assets		<u>1,967,747</u>	<u>883,740</u>
TOTAL LIABILITIES AND NET ASSETS	\$	<u>2,049,274</u>	\$ <u>943,763</u>

THE NEWS LITERACY PROJECT, INC.

**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016**

	2017			2016
	Unrestricted	Temporarily Restricted	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 1,132,131	\$ 1,703,486	\$ 2,835,617	\$ 1,250,127
Earned income	25,440	-	25,440	145,485
Contributed services	106,618	-	106,618	201,871
Interest	8,190	-	8,190	2,743
Net assets released from donor restrictions	<u>1,013,753</u>	<u>(1,013,753)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>2,286,132</u>	<u>689,733</u>	<u>2,975,865</u>	<u>1,600,226</u>
EXPENSES				
Program Services	<u>1,328,290</u>	<u>-</u>	<u>1,328,290</u>	<u>1,089,401</u>
Supporting Services:				
Management and General	302,034	-	302,034	206,292
Fundraising	<u>261,534</u>	<u>-</u>	<u>261,534</u>	<u>182,761</u>
Total supporting services	<u>563,568</u>	<u>-</u>	<u>563,568</u>	<u>389,053</u>
Total expenses	<u>1,891,858</u>	<u>-</u>	<u>1,891,858</u>	<u>1,478,454</u>
Change in net assets	394,274	689,733	1,084,007	121,772
Net assets at beginning of year	<u>207,810</u>	<u>675,930</u>	<u>883,740</u>	<u>761,968</u>
NET ASSETS AT END OF YEAR	<u>\$ 602,084</u>	<u>\$ 1,365,663</u>	<u>\$ 1,967,747</u>	<u>\$ 883,740</u>

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017				2016	
	Supporting Services					
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 810,380	\$ 125,541	\$ 163,259	\$ 288,800	\$ 1,099,180	\$ 921,932
Consulting	199,964	8,424	79,456	87,880	287,844	89,330
Production	10,677	-	-	-	10,677	39,808
Professional fees	-	95,847	-	95,847	95,847	78,998
Skilled volunteers	56,640	-	-	-	56,640	142,075
Honoraria	3,323	-	-	-	3,323	1,000
Travel	48,222	25,745	2,858	28,603	76,825	22,705
Events	2,035	1,899	6,992	8,891	10,926	59,056
Computer and technology expenses	113,495	4,516	-	4,516	118,011	3,379
Supplies, printing and postage	14,503	13,593	5,951	19,544	34,047	12,295
Telephone	5,225	5,138	-	5,138	10,363	7,350
Insurance	-	4,460	-	4,460	4,460	3,355
Occupancy	3,655	13,381	-	13,381	17,036	11,138
Fees and charges	451	3,490	3,018	6,508	6,959	27,380
Amortization	59,720	-	-	-	59,720	58,653
TOTAL	\$ 1,328,290	\$ 302,034	\$ 261,534	\$ 563,568	\$ 1,891,858	\$ 1,478,454

See accompanying notes to financial statements.

THE NEWS LITERACY PROJECT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,084,007	\$ 121,772
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Amortization	59,720	58,653
Decrease (increase) in:		
Grants and other receivables	4,688	(127,863)
Prepaid expenses	(4,563)	(359)
Security deposit	(2,000)	-
Increase (decrease) in:		
Accounts payable and accrued liabilities	<u>21,504</u>	<u>(17,070)</u>
Net cash provided by operating activities	<u>1,163,356</u>	<u>35,133</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(31,179)	-
Purchase of trademark	<u>-</u>	<u>(10,666)</u>
Net cash used by investing activities	<u>(31,179)</u>	<u>(10,666)</u>
Net increase in cash and cash equivalents	1,132,177	24,467
Cash and cash equivalents at beginning of year	<u>555,770</u>	<u>531,303</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,687,947</u>	<u>\$ 555,770</u>

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 FASB ASC 958, *Not-for-Profit Entities*.

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 December 31, 2016, from which the summarized information was derived.

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.

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

Grants and other receivables -

Grants and other receivables approximate fair value. Management considers all amounts to be fully collectible within one year. 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 to twenty 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 December 31, 2017. Amortization expense for the year ended December 31, 2017 totaled \$59,720, which includes \$1,067 of amortization on the trademark.

Intangible asset -

The NLP has adopted *Financial Accounting Standards Board* (FASB) issued 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 December 31, 2017. As of December 31, 2017, the balance of their trademark was \$9,599.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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 December 31, 2017, 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.

Net asset classification -

The net assets are reported in two self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of The NLP and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of The NLP and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.

Grants and contributions -

Unrestricted and temporarily restricted contributions and grants are recorded as revenue in the year notification is received from the donor. Temporarily restricted contributions and grants are recognized as unrestricted support 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 temporarily restricted net assets in the accompanying financial statements.

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.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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

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.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of The NLP's financial statements, it is not expected to alter The NLP's reported financial position.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. The NLP has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *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. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

The NLP plans to adopt the new ASUs at the respective required implementation dates.

Reclassification -

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported changes in net assets.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

2. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017:

Program Services	\$ 1,210,163
Time Restricted	<u>155,500</u>
TOTAL TEMPORARILY RESTRICTED NET ASSETS	\$ <u>1,365,663</u>

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

Program Services	\$ 938,753
Passage of Time	<u>75,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	\$ <u>1,013,753</u>

3. CONTRIBUTED SERVICES

During the year ended December 31, 2017, 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 December 31, 2017.

Journalists and editorial services	\$ 56,640
Legal services	<u>49,978</u>
TOTAL CONTRIBUTED SERVICES	\$ <u>106,618</u>

4. OCCUPANCY

The NLP leased office space in Chicago under a one-year agreement, which expired on March 31, 2017. The lease agreement was not renewed and the security deposit totaling \$1,200 was reimbursed to The NLP.

On July, 2017, The NLP entered into a six-month agreement to lease office space in the District of Columbia, effective September 1, 2017. Upon the ending date, or any extension thereof, the lease agreement will be automatically be renewed and extended for an additional period of six months (unless otherwise cancelled) until December 31, 2024. Monthly base rent for the lease agreement is \$3,200 and will increase by 5% on an annual basis.

The following is a schedule of the future minimum lease payments:

Year Ending December 31, 2018	\$ <u>40,672</u>
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Rent expense for the year ended December 31, 2017 totaled \$17,036.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

5. 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 December 31, 2017, The NLP contributed 3% of each employee's salary earned from the date of eligibility. Contributions to the Plan during the year ended December 31, 2017 totaled \$26,573.

6. SUBSEQUENT EVENTS

In preparing these financial statements, The NLP has evaluated events and transactions for potential recognition or disclosure through September 25, 2018, the date the financial statements were issued.