

FINANCIAL STATEMENTS



**FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2021**

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

Opinion

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, 2022, 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.

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, 2022, 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.

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 The NLP 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 The NLP'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.

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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, 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 The NLP'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 The NLP'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

We have previously audited The NLP's 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



November 7, 2022

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

ASSETS

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,682,733	\$ 2,218,219
Investments	995,418	572,085
Grants and other receivables	1,083,500	2,112,500
Prepaid expenses	<u>17,717</u>	<u>8,697</u>
Total current assets	<u>4,779,368</u>	<u>4,911,501</u>
CAPITAL ASSETS		
Checkology Platform	1,679,823	1,111,114
Website	<u>213,376</u>	<u>168,035</u>
Less: Accumulated amortization	1,893,199	1,279,149
	<u>(700,725)</u>	<u>(405,707)</u>
Net capital assets	<u>1,192,474</u>	<u>873,442</u>
NONCURRENT ASSETS		
Security deposit	5,700	5,700
Trademarks, net	5,228	5,333
Grants and other receivables, net of discount of \$19,608	<u>980,392</u>	<u>1,941,561</u>
Total noncurrent assets	<u>991,320</u>	<u>1,952,594</u>
TOTAL ASSETS	<u>\$ 6,963,162</u>	<u>\$ 7,737,537</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Loan payable	\$ -	\$ 402,500
Accounts payable and accrued liabilities	<u>328,418</u>	<u>241,525</u>
Total liabilities	<u>328,418</u>	<u>644,025</u>
NET ASSETS		
Without donor restrictions:		
Undesignated	4,263,341	3,393,093
Board designated	<u>464,725</u>	<u>-</u>
Total without donor restrictions	<u>4,728,066</u>	<u>3,393,093</u>
With donor restrictions	<u>1,906,678</u>	<u>3,700,419</u>
Total net assets	<u>6,634,744</u>	<u>7,093,512</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,963,162</u>	<u>\$ 7,737,537</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, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
SUPPORT AND REVENUE				
Grants and contributions	\$ 2,222,666	\$ 2,743,831	\$ 4,966,497	\$ 4,570,868
Program income	52,460	-	52,460	15,052
In-kind contributions	1,516,277	-	1,516,277	238,956
Interest and investment (loss) income	(65,314)	-	(65,314)	82,124
Net assets released from donor restrictions	<u>4,537,572</u>	<u>(4,537,572)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>8,263,661</u>	<u>(1,793,741)</u>	<u>6,469,920</u>	<u>4,907,000</u>
EXPENSES				
Program Services	<u>4,533,684</u>	<u>-</u>	<u>4,533,684</u>	<u>3,250,105</u>
Supporting Services:				
Management and General	1,618,923	-	1,618,923	840,600
Fundraising	<u>776,081</u>	<u>-</u>	<u>776,081</u>	<u>580,104</u>
Total supporting services	<u>2,395,004</u>	<u>-</u>	<u>2,395,004</u>	<u>1,420,704</u>
Total expenses	<u>6,928,688</u>	<u>-</u>	<u>6,928,688</u>	<u>4,670,809</u>
Change in net assets	1,334,973	(1,793,741)	(458,768)	236,191
Net assets at beginning of year	<u>3,393,093</u>	<u>3,700,419</u>	<u>7,093,512</u>	<u>6,857,321</u>
NET ASSETS AT END OF YEAR	<u>\$ 4,728,066</u>	<u>\$ 1,906,678</u>	<u>\$ 6,634,744</u>	<u>\$ 7,093,512</u>

THE NEWS LITERACY PROJECT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021

	2022			2021		
	Supporting Services					
	Program Services	Management and General	Fundraising	Total Supporting Services	Total Expenses	Total Expenses
Salaries and benefits	\$ 2,004,137	\$ 1,236,561	\$ 658,730	\$ 1,895,291	\$ 3,899,428	\$ 3,380,895
Travel	54,045	20,848	4,149	24,997	79,042	6,049
Technology	130,673	26,571	23,142	49,713	180,386	94,762
Production	205,998	-	-	-	205,998	81,981
Occupancy	2,237	71,000	-	71,000	73,237	73,431
Consulting fees	171,252	56,257	44,579	100,836	272,088	168,091
Professional fees	25,000	108,582	-	108,582	133,582	26,129
Amortization	295,019	1,066	-	1,066	296,085	216,778
Advertising and promotion	117,139	5,233	3,030	8,263	125,402	194,957
Events and meetings	3,615	27,193	728	27,921	31,536	8,244
Bank fees	-	4,844	3,144	7,988	7,988	10,167
Other	8,293	60,768	38,579	99,347	107,640	170,369
In-kind professional services	1,516,276	-	-	-	1,516,276	238,956
TOTAL	\$ 4,533,684	\$ 1,618,923	\$ 776,081	\$ 2,395,004	\$ 6,928,688	\$ 4,670,809

See accompanying notes to financial statements.

THE NEWS LITERACY PROJECT, INC.

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (458,768)	\$ 236,191
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Amortization	296,085	216,778
Unrealized loss (gain) on investments	117,020	(53,147)
Realized (gain) loss on sales of investments	(429)	30
Receipt of donated stock	(500,001)	(22,361)
Proceeds from sales of donated stock	500,001	22,361
Change in present value discount	(38,831)	(58,658)
PPP loan and interest forgiveness	(406,260)	(360,200)
Decrease (increase) in:		
Grants and other receivables	2,029,000	(360,950)
Prepaid expenses	(9,020)	(7,297)
Increase in:		
Accounts payable and accrued liabilities	<u>86,893</u>	<u>65,840</u>
Net cash used by operating activities	<u>1,615,690</u>	<u>(321,413)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments towards additional capitalized assets	(614,050)	(373,723)
Purchase of investments	(539,924)	(21,183)
Proceeds from sales of investments	-	1,248,971
Payments made to acquire trademarks	<u>(962)</u>	<u>-</u>
Net cash (used) provided by investing activities	<u>(1,154,936)</u>	<u>854,065</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loan payable	<u>3,760</u>	<u>402,500</u>
Net cash provided by financing activities	<u>3,760</u>	<u>402,500</u>
Net increase in cash and cash equivalents	464,514	935,152
Cash and cash equivalents at beginning of year	<u>2,218,219</u>	<u>1,283,067</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,682,733</u>	<u>\$ 2,218,219</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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, 2021, from which the summarized information was derived.

New accounting pronouncement adopted -

During the year ended June 30, 2022, The NLP adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which improves generally accepted accounting principles (GAAP) by increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this Update address certain stakeholders' concerns about the lack of transparency relating to the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in a NFP's programs and other activities. The ASU was adopted retrospectively and did not change the recognition and measurement requirements for those contributed nonfinancial assets.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

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 (loss) 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 contributions revenue. Conditional promises to give are not included as support until the conditions are substantially met. All grants and other receivables are considered by management to be fully collectible. Accordingly, an allowance for doubtful amounts 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, 2022. Amortization expense for the year ended June 30, 2022 totaled \$296,085, which includes \$1,067 of amortization on the trademark.

Intangible assets -

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 trademarks are being amortized on a straight-line basis over ten years. Management believes there has been no impairment for the year ended June 30, 2022. The balance of the trademarks remaining to be amortized was \$5,228.

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.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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

Uncertain tax positions -

For the year ended June 30, 2022, 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 grants 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 award 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 awards 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. Awards 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.

Awards qualifying as conditional contributions contain a right of return or right of release from obligation provision and a defined barrier (or barriers), and the entity has limited discretion over how funds transferred should be spent. Accordingly, revenue is recognized when the condition or conditions are satisfied (when the related barrier has been overcome); these transactions are nonreciprocal and classified as conditional, and are recognized as contributions when the revenue becomes unconditional. Funds received in advance of the incurrence of qualifying expenditures are recorded as refundable advances. The NLP had no unrecognized conditional awards as of June 30, 2022.

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. This revenue is classified as an exchange transaction and follows ASU 2014-09, *Revenue from Contracts With Customers*; accordingly, revenue is recognized (as without donor restrictions) when the performance obligations are met, which is when the students are provided the access to the software. The transaction price is determined based on cost and/or sales price.

In-kind contributions -

In-kind contributions 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.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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

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.

Investment 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.

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.

New accounting pronouncement (not yet adopted) -

ASU 2019-01, *Leases* (Topic 842), 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. 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.

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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.

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 year ended June 30, 2022. Transfers between levels are recorded at the end of the reporting period, if applicable.

Mutual Funds - 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, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Asset Class:				
Mutual Funds	<u>\$ 995,418</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 995,418</u>

Included in net investment loss are the following:

Interest and dividends	\$ 51,277
Unrealized loss on investments	(117,020)
Realized gain on sales of investments	<u>429</u>
TOTAL INTEREST AND INVESTMENT LOSS	<u>\$ (65,314)</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

3. GRANTS RECEIVABLE

As of June 30, 2022, contributors to The NLP have made written promises to give of which \$2,083,500 remained outstanding. 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%.

Amounts are expected to be collected as follows as of June 30, 2022:

Less than one year	\$ 1,083,500
One to five years	<u>1,000,000</u>
Total	2,083,500
Less: Discount balance to present value	<u>(19,608)</u>
NET GRANTS RECEIVABLE	<u>\$ 2,063,892</u>

4. PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On February 9, 2021, The NLP received loan proceeds in the amount of \$402,500 under the Paycheck Protection Program (PPP). The promissory note required monthly principal and interest (1%) payments amortized over the five year term of the promissory note. During the fiscal year ended June 30, 2022, The NLP used the proceeds for purposes consistent with the PPP, and has met the conditions (and applied) for forgiveness of the loan. On January 18, 2022, the full value of the loan (plus accrued interest of \$3,760) was forgiven, and accordingly, has been recognized as contribution income in the accompanying Statement of Activities and Change in Net Assets.

5. LINE OF CREDIT

The NLP maintains a \$750,000 line of credit agreement with a local financial institution. The line of credit bears interest of 3.25% and is secured by cash and money market funds held in accounts at the same financial institution. The line of credit matures on March 22, 2024. During the year ended June 30, 2022, there were no borrowings.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following at June 30, 2022:

Subject to expenditure for specified purpose	\$ 1,826,678
Time restricted	<u>80,000</u>
TOTAL NET ASSETS WITH DONOR RESTRICTIONS	<u>\$ 1,906,678</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	\$ 2,387,572
Passage of time	<u>2,150,000</u>
NET ASSETS RELEASED FROM DONOR RESTRICTIONS	<u>\$ 4,537,572</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

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	\$ 2,682,733
Investments	995,418
Grants and other receivables	<u>2,063,892</u>
Subtotal financial assets available	5,742,043
Less: Board designated net assets	(464,725)
Less: Donor restricted funds by purpose	<u>(1,826,678)</u>

**FINANCIAL ASSETS AVAILABLE TO MEET CASH NEEDS
FOR GENERAL EXPENDITURES WITHIN ONE YEAR \$ 3,450,640**

The NLP has a policy to structure its financial assets to be available and liquid as its obligations become due. As of June 30, 2022, The NLP has financial assets equal to approximately 8 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 \$750,000.

8. IN-KIND CONTRIBUTIONS

During the year ended June 30, 2022, The NLP was the beneficiary of various contributions of professional services and media print advertisements (that were received at no cost), which allowed The NLP to provide greater resources towards its programs.

The following contributions have been included in revenue and expense during the year ended June 30, 2022:

Media print advertisements	\$ 1,501,392
Journalists and editorial services	<u>14,885</u>
TOTAL IN-KIND CONTRIBUTIONS	\$ <u>1,516,277</u>

9. OCCUPANCY

The NLP leases office space under an agreement set to expire on August 31, 2023. The monthly lease payments are \$6,350 through August 31, 2022 and increase to \$7,000 per month for the remainder of the lease agreement.

Following is a schedule of the future minimum lease payments:

<u>Year Ended June 30,</u>	
2023	\$ 82,700
2024	<u>14,000</u>
	\$ <u>96,700</u>

The NLP also rents co-working space under month-to-month agreements, in which the space can be vacated at any time.

Occupancy expense for the year ended June 30, 2022 totaled \$73,237.

THE NEWS LITERACY PROJECT, INC.

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

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, 2022 total retirement expense was \$102,196.

11. ENDOWMENT

In January 2022, The NLP established The News Literacy Project Endowment. The NLP's endowment consists of funds designated by the governing Board to function as an endowment, whose purpose is to support The NLP's mission and specifically, the efforts to provide programs and resources for educators and the public to teach, learn and share the abilities needed to be smart, active consumers of news and information and equal and engaged participants in a democracy.

As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, The NLP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The NLP has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Additionally, in accordance with UPMIFA, The NLP considers the following factors in making a determination to appropriated or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Board Designated Endowment Funds	\$ 500,000	\$ -	\$ 500,000
Accumulated investment earnings	<u>(35,275)</u>	<u>-</u>	<u>(35,275)</u>
TOTAL ENDOWMENT FUNDS	<u>\$ 464,725</u>	<u>\$ -</u>	<u>\$ 464,725</u>

THE NEWS LITERACY PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

11. ENDOWMENT (Continued)

In January 2022, The NLP established The News Literacy Project Endowment. The NLP's endowment consists of funds designated by the governing Board to function as endowments. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors is subject to the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and, thus classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those assets are time restricted until the governing Board appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing Board has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, The NLP considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The NLP has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Changes in endowment net assets for the year ended June 30, 2022:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Contributions	\$ 500,000	\$ -	\$ 500,000
Investment loss	<u>(35,275)</u>	<u>-</u>	<u>(35,275)</u>
ENDOWMENT NET ASSETS, END OF YEAR	<u>\$ 464,725</u>	<u>\$ -</u>	<u>\$ 464,725</u>

12. SUBSEQUENT EVENTS

In preparing these financial statements, The NLP has evaluated events and transactions for potential recognition or disclosure through November 7, 2022, the date the financial statements were issued.