

LOCAL JOURNALISM INITIATIVE, INC.

**FINANCIAL STATEMENTS AND
INDEPENDENT ACCOUNTANT'S
REVIEW REPORT**

DECEMBER 31, 2023

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BELFINT • LYONS • SHUMAN
Certified Public Accountants

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Independent Accountant's Review Report

To the Board of Directors
Local Journalism Initiative, Inc.

We have reviewed the accompanying financial statements of Local Journalism Initiative, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets - modified cash basis as of December 31, 2023, and the related statements of support, revenue, and expenses - modified cash basis, functional expenses - modified cash basis, and cash flows - modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting as described in Note 2. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of Local Journalism Initiative, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

To the Board of Directors
Local Journalism Initiative, Inc.

Accountant's Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with the modified cash basis of accounting as described in Note 2.

Basis of Accounting

We draw attention to Note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared in accordance with a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our conclusion is not modified with respect to this matter.

Belfint, Lyons & Shuman, P.A.

May 1, 2024

Wilmington, Delaware

LOCAL JOURNALISM INITIATIVE, INC.
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS - MODIFIED CASH BASIS
DECEMBER 31, 2023
(See Independent Accountant's Review Report)

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$ 442,427
Investments	<u>933,574</u>

TOTAL ASSETS	<u><u>\$ 1,376,001</u></u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accrued Contract Fees	\$ 9,638
Deferred Grant Revenue	<u>1,075,000</u>

TOTAL LIABILITIES	<u>1,084,638</u>
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NET ASSETS

Without Donor Restrictions	108,641
With Donor Restrictions	<u>182,722</u>

TOTAL NET ASSETS	<u>291,363</u>
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TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,376,001</u></u>
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The accompanying notes are an integral part of these financial statements.

LOCAL JOURNALISM INITIATIVE, INC.
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Contributions and Grants	\$ 192,322	\$ 248,505	\$ 440,827
Net Investment Income	18,574	-	18,574
	210,896	248,505	459,401
Net Assets Released from Restriction	65,783	(65,783)	-
TOTAL SUPPORT AND REVENUE	276,679	182,722	459,401
EXPENSES			
Program Services	81,829	-	81,829
Support Services			
Management and General	43,229	-	43,229
Fundraising	43,230	-	43,230
Total Support Services	86,459	-	86,459
TOTAL EXPENSES	168,288	-	168,288
CHANGE IN NET ASSETS	108,391	182,722	291,113
NET ASSETS - Beginning of Year	250	-	250
NET ASSETS - End of Year	\$ 108,641	\$ 182,722	\$ 291,363

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

LOCAL JOURNALISM INITIATIVE, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Contract and Professional Fees	\$ 70,446	\$ 36,600	\$ 36,600	\$ 143,646
Advertising and Promotion	5,854	135	135	6,124
Office Expense	2,714	2,658	2,658	8,030
Travel	2,103	3,002	3,002	8,107
Insurance	-	572	573	1,145
Other Expenses	712	262	262	1,236
TOTAL EXPENSES	<u>\$ 81,829</u>	<u>\$ 43,229</u>	<u>\$ 43,230</u>	<u>\$ 168,288</u>

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

LOCAL JOURNALISM INITIATIVE, INC.
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
YEAR ENDED DECEMBER 31, 2023
(See Independent Accountant's Review Report)

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Revenue and Other Support	\$ 1,515,827
Interest and Dividends Received	12,772
Cash Paid to Vendors and Contractors	<u>(158,650)</u>
NET CASH FROM OPERATING ACTIVITIES	<u>1,369,949</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Reinvestment of Interest and Dividends, Net	(12,772)
Deposits to Investments	<u>(915,000)</u>
NET CASH FROM INVESTING ACTIVITIES	<u>(927,772)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	442,177
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>250</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 442,427</u></u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 291,113
Adjustment to Reconcile Change in Net Assets to Net Cash from Operating Activities	
Unrealized Gains	(5,802)
Changes in Assets and Liabilities	
Accrued Contract Fees	9,638
Deferred Grant Revenue	<u>1,075,000</u>
NET CASH FROM OPERATING ACTIVITIES	<u><u>\$ 1,369,949</u></u>

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

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1: NATURE OF ACTIVITIES

Local Journalism Initiative, Inc. (LJI) is nonprofit organization whose mission is to strengthen local journalism in Delaware to inform and engage our communities. LJI's primary programs are the Delaware Journalism Collaborative and Spotlight Delaware.

The Delaware Journalism Collaborative (Collaborative) is a coordination of local news outlets pooling their resources and working together to help the community understand the important local challenges and begin leading conversations about addressing those problems. Collaborative partners report on selected challenges and possible solutions, providing the community with nonpartisan, independent data, information, and ideas.

Spotlight Delaware is a collaborative community newsroom that regularly engages with local residents, policymakers, community leaders, and stakeholders to understand and address issues affecting the community. Spotlight Delaware prioritizes the interests of local communities and provides unbiased coverage on the items of highest impact.

LJI was established in 2022 and began operations during 2023.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader. The financial statements and notes are representations of management, who is responsible for their integrity and objectivity.

Basis of Reporting - LJI prepares its financial statements using a modified cash basis of accounting. Support and expenses are generally recognized on a cash basis; however, certain liabilities are recognized to improve the usefulness of the financial statements to the reader. LJI accrues as liabilities certain contract service fees accrued but not paid. LJI also accrues as deferred revenue liabilities contributions and grants received that are restricted to projects or operations in future fiscal periods. LJI's modified cash basis of accounting differs from accounting principles generally accepted in the United States of America (U.S. GAAP) because U.S. GAAP requires the application of full accrual accounting. LJI's modified cash basis of accounting also differs from U.S. GAAP because U.S. GAAP only allows for the deferred recognition of contribution and grant revenue for conditional contributions when a right of return exists, and a measurable performance barrier has not been satisfied.

Use of Estimates - The preparation of financial statements in conformity with the modified cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, donor restricted net assets are reclassified to net assets without donor restrictions and reported in the statements of support, revenues, and expenses as net assets released from restrictions.

Contributions - With the exception of contributions and grants restricted for projects and operations in future periods, contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Contributions of cash and other noncapital assets are reported in net assets with donor restrictions if the contributions are received with donor stipulations that limit the use of the donated assets. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are released from restriction when the assets are placed in service.

Contributions and grants received that are restricted to programs and operations in future periods are initially recognized as a deferred grant liability and reclassified to revenue in the period utilized.

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Cash and Cash Equivalents - LJI considers all cash and highly liquid financial instruments with original maturities of three months or less to be cash and cash equivalents.

Cash and cash equivalents do not include money market funds or uninvested cash held in the investment portfolio.

Investments - Investments are carried at fair value. Gains and losses and investment income derived from investments are accounted for as net assets with donor restrictions and net assets without donor restrictions based on restrictions, if any, imposed by donors. Net investment income is reported in the statement of support, revenue, and expenses - modified cash basis and consists of interest and dividend income, realized and unrealized gains and losses, less investment expenses.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the financial statements.

Fair Value Hierarchy - Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. A fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly;

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Financial Instruments and Credit Risk - LJI manages deposit concentration risk by placing cash with a financial institution believed to be creditworthy. At times, amounts on deposit may exceed insured limits. To date, LJI has not experienced losses in any of these accounts. The uninsured balance was \$192,427 as of December 31, 2023.

Advertising - Costs incurred for advertising and promotion are expensed when incurred.

Functional Allocation of Expenses - The costs of program and supporting services activities have been summarized on a functional basis in the statement of support, revenue, and expenses. Certain categories of expenses are attributable to one or more program or supporting services of LJI, including contract and professional fees and office expenses. Those expenses are allocated by management based on an analysis of time where efforts are made.

Income Taxes - LJI is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code (IRC) and therefore, has made no provision for federal income taxes in the accompanying financial statements. In addition, LJI has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the IRC.

LJI’s tax periods are open to examination by taxing authorities, generally for a period of three years.

Subsequent Events - In preparing these financial statements, LJI has evaluated events and transactions for potential disclosure through the date of the independent accountant’s review report, which was the date the financial statements were available to be issued.

NOTE 3: NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2023, LJI had net assets restricted by donors for its Spotlight Delaware and Delaware Journalism Collaborative programs totaling \$182,722.

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 4: AVAILABILITY AND LIQUIDITY

The following reflects LJI’s financial assets as of the date of the statement of assets, liabilities, and net assets - modified cash basis, reduced by amounts not available for general use because of contractual, board designation, or donor-imposed restrictions within one year of the statement of assets, liabilities, and net assets - modified cash basis date.

	2023
Financial Assets as of December 31	
Cash and Cash Equivalents	\$ 442,427
Investments	933,574
Financial Assets as of December 31	1,376,001
Less: Amounts Not Available for General Expenditures Within One Year	
Net Assets with Donor Restrictions	(182,722)
Deferred Grants - Restricted for Specific Purposes	(1,075,000)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$ 118,279

LJI’s short-term liquidity plan is to maintain readily available resources to cover 30 to 60 days of operating expenses to satisfy obligations as they become due.

NOTE 5: FAIR VALUE INVESTMENTS

Assets measured at fair value on a recurring basis consisted of the following as of December 31:

	2023			
	Fair Value	Level 1	Level 2	Level 3
Investments				
Money Market Funds and				
Uninvested Cash	\$ 486,101	\$ 486,101	\$ -	\$ -
Fixed Income	447,473	447,473	-	-
Total Investments	\$ 933,574	\$ 933,574	\$ -	\$ -

LOCAL JOURNALISM INITIATIVE, INC.
NOTES TO FINANCIAL STATEMENTS - CONTINUED
DECEMBER 31, 2023

NOTE 5: FAIR VALUE INVESTMENTS - CONTINUED

Net investment income consisted of the following for the year ended December 31, 2023:

	<u>2023</u>
Interest and Dividends	\$ 14,147
Custodial and Advisory Fees	(1,375)
Unrealized Gains	<u>5,802</u>
Net Investment Income	<u><u>\$ 18,574</u></u>