

EISNERAMPER

SOLUTIONS JOURNALISM NETWORK, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2019 and 2018



SOLUTIONS JOURNALISM NETWORK, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors of
Solutions Journalism Network, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Solutions Journalism Network, Inc. (the "Organization"), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

The Organization's 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain 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 Solutions Journalism Network, Inc. as of December 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.



EISNERAMPER LLP
New York, New York
June 8, 2020



SOLUTIONS JOURNALISM NETWORK, INC.

Statements of Financial Position

| | <u>December 31,</u> | |
|--|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| ASSETS | | |
| Cash and cash equivalents | \$ 3,990,379 | \$ 3,667,635 |
| Grants and contributions receivable, net | 5,339,304 | 2,317,837 |
| Investments | 2,348 | - |
| Prepaid expenses and other assets | 51,617 | 25,828 |
| Website costs, net | 46,529 | 78,816 |
| Security deposit | 53,197 | 13,425 |
| | <u>\$ 9,483,374</u> | <u>\$ 6,103,541</u> |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | \$ 219,621 | \$ 240,665 |
| Grants payable, net | 662,243 | 932,102 |
| | <u>881,864</u> | <u>1,172,767</u> |
| Commitments and contingency (Note H) | | |
| Net assets: | | |
| Without donor restrictions | 129,896 | 367,354 |
| With donor restrictions | 8,471,614 | 4,563,420 |
| | <u>8,601,510</u> | <u>4,930,774</u> |
| | <u>\$ 9,483,374</u> | <u>\$ 6,103,541</u> |

SOLUTIONS JOURNALISM NETWORK, INC.

Statements of Activities

| | Year Ended December 31, | | | | | |
|---|----------------------------------|----------------------------|--------------|----------------------------------|----------------------------|--------------|
| | 2019 | | | 2018 | | |
| | Without Donor Restrictions | With Donor Restrictions | Total | Without Donor Restrictions | With Donor Restrictions | Total |
| Public support and revenue: | | | | | | |
| Grants | \$ 378,073 | \$ 8,927,545 | \$ 9,305,618 | \$ 738,438 | \$ 4,216,160 | \$ 4,954,598 |
| Contributions | 42,428 | - | 42,428 | 44,414 | - | 44,414 |
| Contributed services | 16,128 | - | 16,128 | 47,205 | - | 47,205 |
| Program training revenue | 68,909 | - | 68,909 | 23,886 | - | 23,886 |
| Loss on currency conversion | - | - | - | (3,908) | - | (3,908) |
| Investment income, net | 2,054 | - | 2,054 | - | - | - |
| Other income | 1,953 | - | 1,953 | 3,611 | - | 3,611 |
| Total public support and revenue before net assets released from restrictions | 509,545 | 8,927,545 | 9,437,090 | 853,646 | 4,216,160 | 5,069,806 |
| Net assets released from restrictions | 5,019,351 | (5,019,351) | - | 4,452,878 | (4,452,878) | - |
| Total public support and revenue | 5,528,896 | 3,908,194 | 9,437,090 | 5,306,524 | (236,718) | 5,069,806 |
| Expenses: | | | | | | |
| Program services: | | | | | | |
| Practice change | 4,021,649 | - | 4,021,649 | 3,867,371 | - | 3,867,371 |
| Knowledge dissemination | 849,695 | - | 849,695 | 743,723 | - | 743,723 |
| Curriculum | 166,512 | - | 166,512 | 226,684 | - | 226,684 |
| Total program services | 5,037,856 | - | 5,037,856 | 4,837,778 | - | 4,837,778 |
| Supporting services: | | | | | | |
| General and administrative | 417,986 | - | 417,986 | 575,090 | - | 575,090 |
| Fund-raising | 310,512 | - | 310,512 | 130,791 | - | 130,791 |
| Total supporting services | 728,498 | - | 728,498 | 705,881 | - | 705,881 |
| Total expenses | 5,766,354 | - | 5,766,354 | 5,543,659 | - | 5,543,659 |
| Change in net assets | (237,458) | 3,908,194 | 3,670,736 | (237,135) | (236,718) | (473,853) |
| Net assets, beginning of year | 367,354 | 4,563,420 | 4,930,774 | 604,489 | 4,800,138 | 5,404,627 |
| Net assets, end of year | \$ 129,896 | \$ 8,471,614 | \$ 8,601,510 | \$ 367,354 | \$ 4,563,420 | \$ 4,930,774 |

See notes to financial statements.

SOLUTIONS JOURNALISM NETWORK, INC.

Statement of Functional Expenses

Year Ended December 31, 2019

(with summarized financial information for 2018)

| | Program Services | | | Supporting Services | | | Total Expenses 2019 | Total Expenses 2018 | |
|---|---------------------|-------------------------|-------------------|------------------------|----------------------------|-------------------|---------------------|---------------------|---------------------------|
| | Practice Change | Knowledge Dissemination | Curriculum | Total Program Services | General and Administrative | Fund-Raising | | | Total Supporting Services |
| Salaries | \$ 1,693,037 | \$ 477,718 | \$ 105,390 | \$ 2,276,145 | \$ 224,670 | \$ 203,311 | \$ 427,981 | \$ 2,704,126 | \$ 2,194,429 |
| Payroll taxes and fringe benefits | <u>222,003</u> | <u>69,353</u> | <u>11,811</u> | <u>303,167</u> | <u>32,712</u> | <u>24,897</u> | <u>57,609</u> | <u>360,776</u> | <u>273,959</u> |
| Total salaries, payroll taxes and fringe benefits | <u>1,915,040</u> | <u>547,071</u> | <u>117,201</u> | <u>2,579,312</u> | <u>257,382</u> | <u>228,208</u> | <u>485,590</u> | <u>3,064,902</u> | <u>2,468,388</u> |
| Newsroom grants and fees | 856,362 | - | - | 856,362 | - | - | - | 856,362 | 1,244,570 |
| Journalist grants and fees | 52,828 | - | - | 52,828 | - | - | - | 52,828 | 52,800 |
| Curriculum, training and research | 5,000 | - | 10,720 | 15,720 | - | - | - | 15,720 | 196,063 |
| Program consulting fees | 521,559 | 110,854 | 15,411 | 647,824 | - | - | - | 647,824 | 478,134 |
| Events and conferences | 101,142 | 450 | - | 101,592 | 654 | - | 654 | 102,246 | 140,813 |
| Occupancy | 81,137 | 23,763 | 5,066 | 109,966 | 24,933 | - | 24,933 | 134,899 | 102,701 |
| Administrative fees | 48,056 | 29,717 | 1,562 | 79,335 | 11,369 | 3,543 | 14,912 | 94,247 | 85,464 |
| Website maintenance | 37,690 | 26,986 | 160 | 64,836 | 786 | - | 786 | 65,622 | 20,819 |
| Accounting and financial services | 574 | 162 | 36 | 772 | 24,769 | - | 24,769 | 25,541 | 74,699 |
| Audit and legal services | 37,932 | 11,531 | 2,117 | 51,580 | 10,614 | - | 10,614 | 62,194 | 99,016 |
| General management and fundraising consultants | - | - | - | - | 34,488 | 42,333 | 76,821 | 76,821 | 81,851 |
| Other professional fees | 10,040 | 1,337 | 295 | 11,672 | 2,471 | - | 2,471 | 14,143 | 20,121 |
| Insurance | 8,731 | 2,472 | 545 | 11,748 | 2,683 | - | 2,683 | 14,431 | 15,423 |
| Travel and lodging | 274,959 | 23,907 | 2,505 | 301,371 | 25,168 | 34,754 | 59,922 | 361,293 | 266,915 |
| Subscriptions, licenses and fees | 4,592 | 3,877 | 154 | 8,623 | 9,785 | 1,200 | 10,985 | 19,608 | 18,334 |
| Technology | 37,152 | 11,015 | 2,192 | 50,359 | 11,137 | 110 | 11,247 | 61,606 | 40,151 |
| Other expenses | 5,515 | 820 | 18 | 6,353 | 901 | 364 | 1,265 | 7,618 | 31,286 |
| Amortization | <u>23,340</u> | <u>55,733</u> | <u>8,530</u> | <u>87,603</u> | <u>846</u> | <u>-</u> | <u>846</u> | <u>88,449</u> | <u>106,111</u> |
| Grand total | <u>\$ 4,021,649</u> | <u>\$ 849,695</u> | <u>\$ 166,512</u> | <u>\$ 5,037,856</u> | <u>\$ 417,986</u> | <u>\$ 310,512</u> | <u>\$ 728,498</u> | <u>\$ 5,766,354</u> | <u>\$ 5,543,659</u> |

See notes to financial statements.

SOLUTIONS JOURNALISM NETWORK, INC.

**Statement of Functional Expenses
Year Ended December 31, 2018**

| | Program Services | | | Supporting Services | | | Total Expenses | |
|---|--------------------|-------------------------|-------------------|------------------------|----------------------------|-------------------|-------------------|---------------------------|
| | Practice Change | Knowledge Dissemination | Curriculum | Total Program Services | General and Administrative | Fund-Raising | | Total Supporting Services |
| Salaries | \$ 1,255,169 | \$ 451,276 | \$ 93,931 | \$ 1,800,376 | \$ 327,200 | \$ 66,853 | \$ 394,053 | \$ 2,194,429 |
| Payroll taxes and fringe benefits | <u>154,075</u> | <u>55,830</u> | <u>11,642</u> | <u>221,547</u> | <u>43,859</u> | <u>8,553</u> | <u>52,412</u> | <u>273,959</u> |
| Total salaries, payroll taxes and fringe benefits | <u>1,409,244</u> | <u>507,106</u> | <u>105,573</u> | <u>2,021,923</u> | <u>371,059</u> | <u>75,406</u> | <u>446,465</u> | <u>2,468,388</u> |
| Newsroom grants and fees | 1,244,570 | - | - | 1,244,570 | - | - | - | 1,244,570 |
| Journalist grants and fees | 52,800 | - | - | 52,800 | - | - | - | 52,800 |
| Curriculum, training and research | 139,730 | 1,084 | 54,111 | 194,925 | 1,138 | - | 1,138 | 196,063 |
| Program consulting fees | 410,523 | 33,130 | 31,857 | 475,510 | 2,624 | - | 2,624 | 478,134 |
| Events and conferences | 129,644 | 6,467 | 393 | 136,504 | 3,901 | 408 | 4,309 | 140,813 |
| Occupancy | 50,288 | 21,037 | 3,657 | 74,982 | 27,719 | - | 27,719 | 102,701 |
| Administrative fees | 48,076 | 17,585 | 2,428 | 68,089 | 15,856 | 1,519 | 17,375 | 85,464 |
| Website maintenance | 3,470 | 9,446 | 7,135 | 20,051 | 768 | - | 768 | 20,819 |
| Accounting and financial services | 35,510 | 12,913 | 2,583 | 51,006 | 23,693 | - | 23,693 | 74,699 |
| Audit and legal services | 53,901 | 23,366 | 3,349 | 80,616 | 18,400 | - | 18,400 | 99,016 |
| General management and fundraising consultants | - | - | - | - | 61,911 | 19,940 | 81,851 | 81,851 |
| Other professional fees | 8,506 | 6,914 | 608 | 16,028 | 1,848 | 2,245 | 4,093 | 20,121 |
| Insurance | 8,574 | 3,060 | 630 | 12,264 | 2,896 | 263 | 3,159 | 15,423 |
| Travel and lodging | 198,404 | 28,243 | 141 | 226,788 | 11,395 | 28,732 | 40,127 | 266,915 |
| Subscriptions, licenses and fees | 4,109 | 2,682 | 305 | 7,096 | 9,054 | 2,184 | 11,238 | 18,334 |
| Technology | 17,674 | 5,473 | 641 | 23,788 | 16,269 | 94 | 16,363 | 40,151 |
| Other expenses | 19,989 | 5,333 | 943 | 26,265 | 5,021 | - | 5,021 | 31,286 |
| Amortization | <u>32,359</u> | <u>59,884</u> | <u>12,330</u> | <u>104,573</u> | <u>1,538</u> | <u>-</u> | <u>1,538</u> | <u>106,111</u> |
| Grand total | <u>\$3,867,371</u> | <u>\$ 743,723</u> | <u>\$ 226,684</u> | <u>\$ 4,837,778</u> | <u>\$ 575,090</u> | <u>\$ 130,791</u> | <u>\$ 705,881</u> | <u>\$ 5,543,659</u> |

See notes to financial statements.

SOLUTIONS JOURNALISM NETWORK, INC.

Statements of Cash Flows

| | Year Ended December 31, | |
|---|----------------------------|----------------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash flows from operating activities: | | |
| Change in net assets | \$ 3,670,736 | \$ (473,853) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Amortization expense | 88,449 | 106,111 |
| Donated securities | (1,927) | - |
| Unrealized loss on investments | 79 | - |
| Changes in: | | |
| Grants and contributions receivable, net | (3,021,467) | 258,679 |
| Prepaid expenses and other assets | (25,789) | 47,973 |
| Security deposit | (39,772) | - |
| Accounts payable and accrued expenses | (40,190) | 15,233 |
| Grants payable, net | <u>(250,713)</u> | <u>659,231</u> |
| Net cash provided by operating activities | <u>379,406</u> | <u>613,374</u> |
| Cash flows from investing activities: | | |
| Purchases of investments | (500) | - |
| Capitalized website costs | <u>(56,162)</u> | <u>(48,063)</u> |
| Net cash used in investing activities | <u>(56,662)</u> | <u>(48,063)</u> |
| Net increase in cash and cash equivalents | 322,744 | 565,311 |
| Cash and cash equivalents, beginning of year | <u>3,667,635</u> | <u>3,102,324</u> |
| Cash and cash equivalents, end of year | <u>\$ 3,990,379</u> | <u>\$ 3,667,635</u> |
| Supplemental disclosure of cash flow information: | | |
| Contributed services | <u>\$ 16,128</u> | <u>\$ 47,205</u> |
| Taxes paid | <u>\$ 9,000</u> | <u>\$ -</u> |

See notes to financial statements.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

Solutions Journalism Network, Inc. (the “Organization”), incorporated in 2013 in Delaware, is a not-for-profit organization that works to define, legitimize and spread the practice of “solutions journalism” - rigorous, unbiased reporting about credible responses to social problems. The Organization’s mission is to establish solutions journalism as a core function in journalism, conforming to the profession’s highest standards of independence and accuracy. In keeping with journalism’s historic responsibility to spotlight and contextualize significant activity in the public interest, solutions journalism will circulate reliable information about how society is confronting and adapting to major social, economic, and environmental challenges. The Organization organizes its activities across the following four key program areas.

Practice Change (formerly known as “Newsroom Practice Change” and “Journalist Practice Change”)

The Organization leverages its curriculum to catalyze and sustain the practice of solutions journalism in news organizations and with individual journalists.

The Organization cultivates relationships with individual outlets or with groups of outlets, often resulting in high-impact solutions-focused reporting projects.

These relationships typically begin with a workshop introducing newsroom staff to the solutions approach. The Organization then provides research and editorial consulting support to reporters, producers, and editors. In many cases, the Organization also offers modest financial resources to support reporter travel and other high-value activities. In both 2019 and 2018, the Organization supported projects focused on strengthening democracy, health, education and other topics. The Organization is also focused on ensuring the sustainability of the solutions-journalism technique in these newsrooms and on fostering shared-learning across its newsroom partners.

In certain special relationships, cases that promise to generate great visibility, impact, and learning, the Organization invests in longer-term, higher-impact newsroom projects.

The Organization complements its work with news organizations by mechanisms that seek to advance the adoption of the solutions approach by individual journalists.

Knowledge Dissemination - (formerly known as “Pattern Change”)

The Organization expands and manages the “Solutions Story Tracker,” as well as “SolutionsU,” a suite of tools to help all learners easily find, integrate, and share solutions stories, to support teaching and learning in social innovation and other topics.

The Organization also supports faculty in developing and sharing teaching materials based on solutions journalism stories in a range of disciplines.

Curriculum - (formerly known as “Education”)

The Organization has created a core curriculum designed to introduce its distinctive approach to journalism professionals and students; and to further develop and strengthen the skills of those who already integrate solutions-oriented reporting into their work.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[1] The Organization: (continued)

Curriculum - (formerly known as “Education”) (continued)

The Organization provides an online suite of courses, the “Learning Lab,” which is free to access. It includes core training in solutions journalism, as well as specialized guides for editors and reporters focusing on specific beats, such as violence, education, and health. These resources, in addition to a growing archive of thousands of model-solutions stories, are intended to advance the understanding and practice of solutions-journalism for reporters and editors who do not have access to its direct trainings. Working with partners, the Organization is translating some of these resources into multiple languages, making them accessible to non-English-speaking constituents.

The Organization is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code (the “Code”) and from state and local taxes under comparable laws.

[2] Basis of accounting:

The financial statements have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America (“U.S. GAAP”), as applicable to not-for-profit organizations.

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, public support and revenue, and expenses, as well as the disclosures of contingent assets and liabilities. Actual results could differ from those estimates and assumptions.

[4] Cash and cash equivalents:

The Organization considers all highly liquid investments purchased with an original maturity of three months or less, to be cash equivalents. However, cash awaiting investment is included as part of the Organization’s investment portfolio and is reported as investments in the statements of financial position.

[5] Investments:

The Organization’s investments in equity securities are reported at their fair values in the statements of financial position based on quoted market prices.

The Organization’s investments, in general, are subject to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the statements of activities as increases or decreases in net assets without donor restrictions, unless a donor has placed restrictions on the investment income. Realized gains and losses on investments are determined by comparison of the cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment’s costs to the fair value at the end of each year. The earnings from dividends and interest are recognized when earned. Netted with the investment income are fees that are embedded in various investment transactions.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Website costs:

Website costs related to application development, site configuration and infrastructure, and conceptual design are capitalized. Costs relating to operation and support are expensed as incurred. The Organization capitalizes website costs that have a cost of \$1,000 or more and a useful life of greater than one year. Capitalized costs are amortized over a two-year expected life, using the straight-line method. At December 31, 2019 and 2018, capitalized website costs are presented net of accumulated amortization of \$296,000 and \$207,551, respectively.

[7] Grants and grant commitments:

Unconditional grants and awards made to others are recognized as expenses in the financial statements at the time of approval. Grants and awards approved, but not yet paid, are reported as grants payable at each year-end. Multi-year grants are reported at their present values, using an appropriate interest rate.

[8] Net assets:

The net assets of the Organization and changes therein are classified and reported as follows:

(i) *Net Assets Without Donor Restrictions:*

The Organization's net assets, which are without donor restrictions, represent resources available for current operations, as there are no restriction on their use.

(ii) *Net Assets With Donor Restrictions:*

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or a specific period of time.

When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as "net assets released from restrictions."

[9] Revenue recognition:

(i) *Grants, contributions and pledges:*

Grants and contributions made to the Organization are recognized as revenue upon the receipt of cash or other assets, or of unconditional pledges. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are recognized when the donor's conditions have been met by requisite actions of the Organization's management or necessary events have taken place. Contributions to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

(ii) *Program training revenue:*

Revenue from program training is recorded as revenue in the period that the services are rendered.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

(iii) *Contributed services:*

For recognition of donated services in the Organization's financial statements, such services must: (i) create or enhance nonfinancial assets; and (ii) typically need to be acquired if not provided by donation. Additionally, recognition of donated services must: (i) require a specialized skill; and (ii) be provided by individuals possessing these skills. Donated services are reported as both contributions and offsetting expenses in the statements of activities. In 2019 and 2018, the Organization received legal services valued at approximately \$16,000 and \$47,000, respectively, as defined herein.

(iv) *Volunteers:*

A substantial number of members of the Board of Directors and volunteers have donated significant amounts of their time and support through fund-raising and participation in events in furtherance of the Organization's mission. The value of this donated volunteer time is not reported in the financial statements, as it does not meet the criteria for recognition under U.S. GAAP.

[10] Advertising costs:

Advertising costs are accounted for as an expense as they are incurred. Advertising expense for 2019 and 2018 was approximately \$2,000 and \$12,000, respectively.

[11] Functional allocation of expenses:

The costs of providing the Organization's various programs and supporting services have been summarized on a functional basis in the statements of activities. The statements of functional expenses present expenses by functional and natural classification. Accordingly, direct costs have been allocated among program and supporting services based on the nature of the expense. Indirect costs have been allocated on the basis of time and effort.

[12] Income tax uncertainties:

The Organization is subject to the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Codification ("ASC") Topic 740, *Income Taxes*, as it relates to accounting and reporting for uncertainty in income taxes. Because of the Organization's general not-for-profit status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on the Organization's financial statements.

[13] Adoption of accounting principles:

(i) *Revenue from Contracts with Customers:*

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of 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.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[13] Adoption of accounting principles: (continued)

(i) *Revenue from Contracts with Customers: (continued)*

ASU 2014-09 will also result in enhanced revenue related disclosures. The new standard is effective for fiscal years beginning after December 15, 2019, accordingly, the Organization chose to early-adopt the standard for its year ended December 31, 2019. The standard permits the use of either the retrospective or cumulative effect transition method. Analysis of various provisions of this standard resulted in no significant changes in the way the Organization recognized revenue, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis. This presentation and disclosures of revenue have been enhanced in accordance with this standard.

(ii) *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made:*

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 985)*. ASU 2018-08 clarifies and improves guidance concerning, 1) evaluating whether a transaction should be accounted for as an exchange transaction or as a contribution, and 2) determining whether a contribution received is conditional. ASU 2018-08 is effective for annual periods beginning after December 15, 2018 for entities that are resource recipients and periods beginning after December 15, 2019 for entities that are resource providers. ASU 2018-08 should be applied on a modified prospective basis. The Organization adopted the resource recipient portion for its year ended December 31, 2019 and this accounting guidance did not have a material effect on the Organization's financial statements. Management is still in the process of assessing the impact of the resource provider portion of this ASU on the financial statements.

(iii) *Disclosure Requirements for Fair-Value Measurements:*

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*, which modified the disclosure requirements for fair value measurements and is effective for years beginning after December 15, 2019, with early adoption permitted. The effect of adopting this accounting guidance will result in the removal or modification of certain fair value measurement disclosures presented in the Organization's financial statements. The Organization early adopted this pronouncement as of December 31, 2019, which, under U.S. GAAP, is a change in accounting principle requiring retroactive application in the financial statements for all periods presented. Analysis of this standard resulted in no significant changes in the Organization's disclosure requirements for fair value measurements, and therefore no changes to the previously issued audited financial statements was required on a retrospective basis.

[14] Upcoming accounting principle:

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which will require entities to recognize lease assets and lease liabilities (related to leases previously classified as operating under previous U.S. GAAP) on the statements of financial position. The ASU will be effective for fiscal years beginning after December 15, 2021. Management is in the process of assessing the impact of this ASU on the financial statements.

[15] Reclassification:

Certain information in the prior-year's financial statements has been reclassified to conform to the current year's presentation.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE A - THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[16] Subsequent events:

The Organization evaluated subsequent events through June 8, 2020, the date on which the financial statements were available to be issued.

NOTE B - GRANTS AND CONTRIBUTIONS RECEIVABLE

At each year-end, grants and contributions were due to be collected as follows:

| | December 31, | |
|--|----------------------------|----------------------------|
| | 2019 | 2018 |
| Less than one year | \$ 1,849,283 | \$ 1,730,402 |
| One to five years | <u>3,797,454</u> | <u>623,210</u> |
| | 5,646,737 | 2,353,612 |
| Reduction of pledges due in excess of one year to present value, at a discount rate of 3% | <u>(307,433)</u> | <u>(35,775)</u> |
| | <u>\$ 5,339,304</u> | <u>\$ 2,317,837</u> |

The Organization periodically assesses the collectability of its grants and contributions receivable using management's judgement of potential defaults, which considers factors such as prior collection history, type of contribution and the nature of fund-raising activity, and provides allowances for anticipated losses, if any, when necessary.

NOTE C - INVESTMENTS

At December 31, 2019, investments consisted of the following:

| | Fair Value | Cost |
|--------------------------|------------------------|------------------------|
| Cash awaiting investment | \$ 500 | \$ 500 |
| Equity securities | <u>1,848</u> | <u>1,927</u> |
| | <u>\$ 2,348</u> | <u>\$ 2,427</u> |

During December 31, 2019, net investment earnings consisted of the following:

| | |
|-----------------------------|------------------------|
| Interest and dividends, net | \$ 2,133 |
| Unrealized loss | <u>(79)</u> |
| | <u>\$ 2,054</u> |

There were no investments during 2018.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE C - INVESTMENTS (CONTINUED)

FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1* - Valuations are based on observable inputs that reflect quoted market prices in active markets for identical investments at the reporting date.
- Level 2* - Valuations are based on: (i) quoted prices for similar investments in active markets; (ii) quoted prices for those investments or similar investments in markets that are not active; or (iii) pricing inputs other than quoted prices that are directly or indirectly observable on the reporting date.
- Level 3* - Valuations are based on unobservable pricing inputs and include situations where: (i) there is little, if any, market activity for the investments; or (ii) the investments cannot be independently valued.

The Organization's investments are valued entirely as Level 1 of the fair-value hierarchy.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair-value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. In such instances, the transfer is reported at the beginning of the reporting period.

NOTE D - GRANTS PAYABLE

At each year-end, grants payable were scheduled to be distributed as follows:

| | <u>December 31,</u> | |
|---|--------------------------|-------------------|
| | <u>2019</u> | <u>2018</u> |
| Less than one year | \$ 662,243 | \$ 617,724 |
| Two years | <u>-</u> | <u>333,524</u> |
| | 662,243 | 951,248 |
| Reduction of grants payable in excess of one year to present value, at a discount rate of 3% | <u>-</u> | <u>(19,146)</u> |
| | <u>\$ 662,243</u> | <u>\$ 932,102</u> |

NOTE E - LINE OF CREDIT

On January 2, 2019, the Organization established a line of credit with a bank which provided for a maximum credit line of \$750,000. The interest rate charged is at the applicable margin of 3.65% plus the adjusted LIBOR rate of 1.97% as of December 31, 2019. The line of credit expires on March 1, 2021, and is collateralized by the Organization's cash and cash equivalents. There were no drawdowns on the line during 2019.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE F - NET ASSETS WITH DONOR RESTRICTIONS

At each year end, net assets with donor restrictions consisted of the following:

| | December 31, | |
|-------------------------------|---------------------|---------------------|
| | 2019 | 2018 |
| Restricted for future periods | <u>\$ 300,000</u> | <u>\$ 1,375,000</u> |
| Purpose-restricted: | | |
| Practice Change | 7,695,456 | 2,921,923 |
| Knowledge Dissemination | 225,694 | 68,421 |
| Curriculum | - | 21,373 |
| Infrastructure | <u>250,464</u> | <u>176,703</u> |
| Total purpose restrictions | <u>8,171,614</u> | <u>3,188,420</u> |
| Total | <u>\$ 8,471,614</u> | <u>\$ 4,563,420</u> |

During each year, net assets released from restrictions resulted from satisfying the following donor restrictions:

| | December 31, | |
|--------------------------------------|---------------------|---------------------|
| | 2019 | 2018 |
| Time restrictions satisfied | <u>\$ 1,425,000</u> | <u>\$ 2,186,250</u> |
| Purpose-restrictions satisfied | | |
| Practice Change | 3,144,618 | 1,951,038 |
| Knowledge Dissemination | 150,826 | 103,211 |
| Curriculum | 40,207 | 30,758 |
| Infrastructure | <u>258,700</u> | <u>181,621</u> |
| Total purpose restrictions satisfied | <u>3,594,351</u> | <u>2,266,628</u> |
| Total | <u>\$ 5,019,351</u> | <u>\$ 4,452,878</u> |

NOTE G - FISCAL SPONSORSHIP PROGRAM

In June 2016, the Organization established a fiscal-sponsorship agreement with a not-for-profit association (the "Grantee"), the work of which is consistent with the Organization's mission and exempt purpose. The Organization had variance power over the funds. Contribution revenue received in conjunction with this program amounted to \$650,000 in 2016, and amounts expended for the program activities related to this contribution were \$32,368 and \$390,554 during 2018 and 2017, respectively. As of March 2018, the remaining funds had been fully expended in accordance with the agreement. The fiscal-sponsorship agreement ended on June 30, 2018. There were no new fiscal sponsorships in 2019.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE H - COMMITMENTS AND CONTINGENCY

[1] Lease commitments:

The Organization entered into an operating lease agreement for office space that began on December 2, 2019 and expires in December 2021. Minimum future obligations under the lease agreement is as follows:

| <u>Year Ending December 31,</u> | <u>Amount</u> |
|-------------------------------------|-------------------|
| 2020 | \$ 227,256 |
| 2021 | <u>215,609</u> |
| | <u>\$ 442,865</u> |

[2] Other contracts:

In the normal course of business, the Organization enters into various contracts and agreements for professional and other services, all of which are typically renewable on a year-to-year basis.

[3] Contingency and other uncertainty:

The extent of the impact of the Coronavirus (“COVID-19”) outbreak on the operational and financial performance of the Organization will depend on the continued future developments, including the duration and spread of the outbreak and restrictions on travel, all of which impact the overall contributions towards the Organization’s programs. The impact of COVID-19 is highly uncertain and cannot be predicted. If contributions towards the Organization’s programs are impacted for an extended period, results of operations may be materially adversely affected.

NOTE I - RELATED PARTY TRANSACTIONS

During 2018, a member of the Board of Directors provided the Organization with consulting services primarily related to communications and social media. Consulting fees paid by the Organization for these services in 2018 were \$21,200. No consulting fees were paid by the Organization for these services in 2019.

NOTE J - CONCENTRATION OF REVENUE

Approximately 53% and 22% of the Organization’s grant revenue was provided by one donor in 2019 and 2018, respectively.

NOTE K - CONCENTRATION OF CREDIT RISK

The Organization deposits cash in a financial institution which, at times, may exceed federally insured limits. The Organization’s cash is held in a major institution, and management believes that there is no significant risk of loss by reason of the institution’s failure.

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements December 31, 2019 and 2018

NOTE L - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of each year-end available for general expenditure (which includes scheduled grant payments) within one year of the statements of financial position date:

| | <u>December 31,</u> | |
|---|---------------------|---------------------|
| | <u>2019</u> | <u>2018</u> |
| Cash and cash equivalents | \$ 3,990,379 | \$ 3,667,635 |
| Grants and contributions receivables available within one year | 5,646,737 | 1,730,402 |
| Investments | <u>2,348</u> | <u>-</u> |
| Total financial assets available within one year | <u>9,639,464</u> | <u>5,398,037</u> |
| Less: | | |
| Amounts unavailable for general expenditures within one year, due to: | | |
| Restricted by donors for: | | |
| Purpose restrictions | <u>(8,171,614)</u> | <u>(3,188,420)</u> |
| Total financial assets available to meet cash needs for general expenditures within one year | <u>\$ 1,467,850</u> | <u>\$ 2,209,617</u> |

Liquidity policy:

As part of the Organization's liquidity management, it maintains a sufficient level of operating cash to be available as its general expenditures, grants, liabilities, and other obligations come due. As disclosed in Note E, the Organization has access to a line of credit which is available for short-term liquidity needs.

NOTE M - SUBSEQUENT EVENT

Subsequent to year-end, the Organization applied for and received a Paycheck Protection Program Loan in the amount of approximately \$510,000.