

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE**

	<u>Pages</u>
I Index	1
II Independent auditor's report	2 – 3
III Statements of financial position	4
IV Statements of activities and changes in net assets	5 – 6
V Statements of functional expenses	7 – 8
VI Statements of cash flows	9
VII Notes to the financial statements	10 – 21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Investigative Newsource
dba inewsource

Opinion

We have audited the accompanying financial statements of Investigative Newsource *dba inewsource*, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years 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 Investigative Newsource *dba inewsource* as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 Investigative Newsource *dba inewsource* and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 Investigative Newsource *dba inewsource'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. 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 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 Investigative Newsource *dba inewsource'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate that raise substantial doubt about Investigative Newsource *dba inewsource'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.



CONSIDINE & CONSIDINE
An accountancy corporation

September 24, 2024

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023**

Page 4

	<u>2024</u>	<u>2023</u>
ASSETS		
CURRENT ASSETS		
Cash	\$ 184,266	\$ 486,714
Pledges receivable (note 3)	448,926	336,503
Prepaid expenses	31,094	36,349
Other current assets	995	-
	<u>665,281</u>	<u>859,566</u>
PROPERTY AND EQUIPMENT (note 4)	21,784	31,615
OTHER ASSETS		
Security deposit	4,000	4,000
Endowment investments (note 5)	33,645	30,864
	<u>37,645</u>	<u>34,864</u>
TOTAL ASSETS	<u><u>724,710</u></u>	<u><u>926,045</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	67,114	65,012
NET ASSETS (note 9)		
Without donor restrictions	297,524	398,258
With donor restrictions	360,072	462,775
	<u>657,596</u>	<u>861,033</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 724,710</u></u>	<u><u>\$ 926,045</u></u>

See accompanying notes

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2024

Page 5

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Contributions			
Individual	\$ 877,847	\$ 254,654	\$ 1,132,501
Foundation	300,811	482,660	783,471
In-kind (note 11)	44,600	240	44,840
Corporate	10,692	25,000	35,692
	<u>1,233,950</u>	<u>762,554</u>	<u>1,996,504</u>
Other income	3,240	1,206	4,446
Dividend and interest income	219	-	219
Gain on endowment investments, net (note 5)	-	2,781	2,781
	<u>1,237,409</u>	<u>766,541</u>	<u>2,003,950</u>
Net assets released from restriction (note 9)	<u>869,244</u>	<u>(869,244)</u>	<u>-</u>
TOTAL REVENUE	2,106,653	(102,703)	2,003,950
OPERATING EXPENSES			
Program services	1,531,667	-	1,531,667
Management and general	303,987	-	303,987
Development	371,733	-	371,733
	<u>2,207,387</u>	<u>-</u>	<u>2,207,387</u>
CHANGE IN NET ASSETS	(100,734)	(102,703)	(203,437)
NET ASSETS, BEGINNING	<u>398,258</u>	<u>462,775</u>	<u>861,033</u>
NET ASSETS, ENDING	<u>\$ 297,524</u>	<u>\$ 360,072</u>	<u>\$ 657,596</u>

See accompanying notes

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

Page 6

	WITHOUT DONOR <u>RESTRICTIONS</u>	WITH DONOR <u>RESTRICTIONS</u>	<u>TOTAL</u>
REVENUE			
Contributions			
Individual	\$ 872,550	\$ 15,807	\$ 888,357
Foundation	60,038	682,486	742,524
Corporate	7,896	13,500	21,396
	<u>940,484</u>	<u>711,793</u>	<u>1,652,277</u>
Other income	13,589	-	13,589
Dividend and interest income	464	-	464
Gain on endowment investments, net (note 5)	-	1,994	1,994
	<u>954,537</u>	<u>713,787</u>	<u>1,668,324</u>
Net assets released from restriction (note 9)	<u>827,056</u>	<u>(827,056)</u>	<u>-</u>
TOTAL REVENUE	1,781,593	(113,269)	1,668,324
OPERATING EXPENSES			
Program services	1,591,373	-	1,591,373
Management and general	461,634	-	461,634
Development	578,261	-	578,261
	<u>2,631,268</u>	<u>-</u>	<u>2,631,268</u>
CHANGE IN NET ASSETS	(849,675)	(113,269)	(962,944)
NET ASSETS, BEGINNING	<u>1,247,933</u>	<u>576,044</u>	<u>1,823,977</u>
NET ASSETS, ENDING	<u>\$ 398,258</u>	<u>\$ 462,775</u>	<u>\$ 861,033</u>

See accompanying notes

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024**

Page 7

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Bank fees	\$ -	\$ 351	\$ 5,561	\$ 5,912
Conferences and meetings	12,349	568	6,623	19,540
Depreciation	8,289	982	1,636	10,907
Information technology	41,487	22,558	12,186	76,231
Insurance	10,987	27,442	2,871	41,300
Mileage reimbursement	10,767	473	1,862	13,103
Office	11,696	1,919	6,433	20,048
Personnel	1,274,120	177,149	298,605	1,749,874
Professional services	112,689	63,634	18,257	194,580
Promotional	4,023	-	8,703	12,726
Rent (note 12)	38,321	4,131	7,525	49,977
Story entry fees	2,421	-	-	2,421
Tax and license	-	200	-	200
Utilities	4,518	4,580	1,470	10,568
	<u>4,518</u>	<u>4,580</u>	<u>1,470</u>	<u>10,568</u>
TOTAL EXPENSES	<u>\$ 1,531,667</u>	<u>\$ 303,987</u>	<u>\$ 371,733</u>	<u>\$ 2,207,387</u>

See accompanying notes

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

Page 8

	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>DEVELOPMENT</u>	<u>TOTAL</u>
EXPENSES				
Bank fees	\$ -	\$ 397	\$ 5,861	\$ 6,258
Bad debt	-	6,000	-	6,000
Conferences and meetings	22,188	3,019	13,965	39,172
Depreciation	8,010	948	1,581	10,539
Information technology	51,980	26,258	12,881	91,119
Insurance	10,719	39,667	4,857	55,243
Mileage reimbursement	10,310	390	2,421	13,121
Office	15,367	13,585	8,156	37,108
Personnel	1,351,341	263,528	486,286	2,101,155
Professional services	92,713	104,520	23,409	220,642
Promotional	2,400	376	13,603	16,379
Rent (note 12)	20,915	2,436	4,649	28,000
Story entry fees	2,769	-	-	2,769
Tax and license	-	200	-	200
Utilities	2,662	310	591	3,563
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENSES	<u>\$ 1,591,373</u>	<u>\$ 461,634</u>	<u>\$ 578,261</u>	<u>\$ 2,631,268</u>

See accompanying notes

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023**

Page 9

	<u>2024</u>	<u>2023</u>
CASH FLOWS USED BY OPERATING ACTIVITIES		
Change in net assets	\$ (203,437)	\$ (962,944)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH PROVIDED/(USED) BY OPERATING ACTIVITIES		
Bad debt	-	6,000
Depreciation	10,907	10,539
Loss on disposal of property and equipment	170	-
Net endowment investments activity	(2,781)	(1,994)
Change in operating assets and liabilities:		
Pledges receivable	(112,423)	(76,339)
Prepaid expenses	5,255	(8,100)
Other current assets	(995)	-
Security deposit	-	(4,000)
Accounts payable and accrued liabilities	2,102	(17,230)
Deferred revenue	-	(25,000)
	<u>(97,765)</u>	<u>(116,124)</u>
CASH FLOWS USED BY OPERATING ACTIVITIES	(301,202)	(1,079,068)
CASH FLOWS USED BY INVESTING ACTIVITIES		
Purchase of property and equipment	(2,241)	(7,435)
Proceeds on sale of property and equipment	995	-
	<u>(1,246)</u>	<u>(7,435)</u>
NET DECREASE IN CASH	(302,448)	(1,086,503)
CASH, BEGINNING OF YEAR	<u>486,714</u>	<u>1,573,217</u>
CASH, END OF YEAR	<u><u>\$ 184,266</u></u>	<u><u>\$ 486,714</u></u>

See accompanying notes

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 10

NOTE 1 THE ORGANIZATION

Investigative Newsource *dba inewsourc* (the Organization) is a nonprofit, nonpartisan newsroom dedicated to improving lives in the San Diego region and beyond through impactful, data-based investigative and accountability journalism and by building strong community relationships and engagement, such as the Documenters program. Betrayals of the public trust are revealed and rectified, wrongdoing is deterred, and inequities are illuminated thanks to Investigative Newsource *dba inewsourc*'s deep, dogged, fact-based reporting.

Investigative Newsource *dba inewsourc* values:

- Truth: Above all else, we value the importance of a free and credible press. Truth is the cornerstone of democracy and the core value for Investigative Newsource *dba inewsourc*.
- Transparency: We build trust with our readers by adhering to the highest standards and ethics, and reporting with facts, precision and context.
- Collaboration: Our newsroom prioritizes collaboration over competition. We regularly partner with media outlets on reporting projects and to share content.
- Community: Our reporting serves the San Diego region, and we strive to build relationships with our audience by getting out into the community to listen and engage.

Investigative Newsource *dba inewsourc* concentrates on reporting issues that affect the everyday lives of people who live in the San Diego region. Although all stories have strong roots in San Diego, some projects have statewide and national relevance. Content is produced for television, radio, and the web to reach broad audiences on their teams.

Teaching, training and mentoring is a dual priority. This underscores our commitment to the next generation of journalists, and to the community, where we educate about the tenets of trustworthy journalism and act as a model for it.

Investigative Newsource *dba inewsourc*, formerly the Watchdog Institute, was founded in 2009 in response to downsizing in newsrooms across the country and to an increasing void in thorough, labor-intensive journalism. The IRS granted 501(c)(3) status in September 2010.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles (GAAP) in the United States.

Estimates - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 11

Basis of presentation - The Organization is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. The Organization follows standards regarding classification of endowment funds of nonprofits subject to an enacted version of the Uniform Prudent Management of Institutional Funds Acts (UPMIFA) and enhances disclosures in the endowment.

Net assets without donor restrictions - Consists of assets which are fully available, at the discretion of management and the Board of Directors, for the Organization to utilize in any of its programs or supporting services. Net assets without donor restrictions also include amounts designated for certain purposes by the Board of Directors.

Net assets with donor restrictions - These net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. These net assets also include amounts that are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. Restricted net assets were \$360,072 and \$462,775 as of June 30, 2024 and 2023, respectively.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents. The Organization maintains its bank accounts with a credit union located in California. These accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the uninsured balances at June 30, 2024 and 2023 were approximately \$6,100 and \$300,000, respectively. The Organization does not believe it is exposed to any significant credit risk on cash.

Property and equipment - Property and equipment are carried at cost. It is the policy of management to capitalize property and equipment in excess of \$1,000. Donations of property and equipment are recorded as contributions, unless the donor has restricted the donated asset to a specific purpose. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of three to five years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Fair value measurement - The Organization follows accounting standards consistent with the Financial Accounting Standards Board (FASB) codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Pledges receivable - The pledges receivable consist of donor promises to give and reimbursement grants. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. All pledges receivable were considered collectable as of June 30, 2024 and 2023.

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Page 12

Revenue and donor-imposed restrictions - All contributions are considered to be without donor restriction unless specifically restricted by the donor. Amounts received designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions, increasing that net asset class. If a restriction is fulfilled in the same period in which the contribution is received, the support is reported as restricted and then released from restriction in the same period.

The Organization follows the FASB Accounting Standards Codification ("ASC") Topic 606 ("ASC 606") Revenue from Contracts with Customers, which provides guidance for revenue recognition. This ASC's core principle requires an organization to recognize revenue when it transfers promised goods or services to customers in an amount that reflects consideration to which the organization expects to be entitled in exchange for those goods and services. The standard also clarifies the principal versus agent considerations, providing the evaluation must focus on whether the entity has control of the goods or services before they are transferred to the customer.

The Organization follows the FASB-issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made which provides clarification regarding the accounting for contracts and agreements as exchange transactions or contributions and provides improved guidance to better distinguish between conditional and unconditional contributions.

Donated services and facilities - The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services and facilities that create or enhance non-financial assets or require specialized skills. The fair value of donated services and facilities has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (level 2 inputs).

Functional allocation of expenses - The Organization allocates its expenses on a functional basis among its program and support services. Directly identifiable expenses are charged to program and supporting services. Expenses related to more than one function are charged to program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income taxes - As a nonprofit organization, the Organization has obtained exempt status. Under Internal Revenue Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code, the Organization is not subject to income taxes for operations related to its exempt purpose.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2024 the Organization has no accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Page 13

Recent accounting pronouncements

In July 2016, FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326). The new standard is effective for fiscal years beginning after December 15, 2022. The Organization adopted Topic 326 and all related amendments as of July 1, 2023. The standard replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to trading receivables, financing receivables, held-to-maturity debt securities, and receivables related to repurchase agreements and securities lending agreements. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. Financial assets held by the Organization that are subject to this guidance were pledges receivable.

The Organization adopted ASC 326 using a modified retrospective transition approach. Under this approach, an entity records an adjustment to retained earnings for the cumulative effect of adopting the standard. The adjustment is made to opening retained earnings as of the start of the reporting period in which the ASU becomes effective. The Organization has performed a review of the new guidance as compared to its current accounting policies to determine the impact of this standard on their financial assets presentation. Upon completion of its review, the Organization has made a determination that there is no material impact to their financial assets presentation upon adoption of the new standard.

NOTE 3 PLEDGES RECEIVABLE

Pledges receivable consists of unconditional promises to give totaling \$448,926 and \$336,503 on June 30, 2024 and 2023, respectively.

Bad debt expense related to pledges receivable was \$0 and \$6,000 for the years ended June 30, 2024 and 2023, respectively.

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	2024	2023
Cameras and equipment	\$ 76,493	\$ 80,568
Accumulated depreciation	(54,709)	(48,953)
	<u>\$ 21,784</u>	<u>\$ 31,615</u>

Depreciation expense was \$10,907 and \$10,539 for the years ended June 30, 2024 and 2023, respectively.

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 14

NOTE 5 ENDOWMENT FUND

Effective January 1, 2009, California enacted the UPMIFA, the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as net assets with donor restrictions the original value of its initial investment to be held in perpetuity.

Amounts are to be given by the Organization to the Rancho Santa Fe Foundation (the "Foundation") for the establishment of an endowment fund to support the mission of the Organization (see note 1). The nature of the promises to give require the amounts to be classified as net assets with donor restrictions. These funds are to help support the general purpose of the Organization in perpetuity. The Foundation makes all investment decisions related to the endowment fund.

The Policy Manual of the Foundation states their primary goals as preservation of capital with appropriate liquidity, sufficient growth of capital to offset the effects of inflation and provide for future needs, and enhancement of the realization of the philanthropic goals of the Foundation and its constituent organizations.

The portion of the endowment fund that is classified as restricted is not reduced by losses on the investments of the fund. Losses on the investments of restricted funds reduce the net assets with donor restrictions to the extent that donor-imposed restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce net assets without donor restrictions.

The Organization's restricted endowment fund investments are held and managed by the Foundation. Investments are stated at fair value, measured at quoted market price, and consist of the long-term pool of investments with the Foundation. Cost basis information is not provided by the Foundation.

Composition of and changes in endowment net assets for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ -	\$ 30,864	\$ 30,864
Earnings on investments	-	953	953
Investment fees	-	(315)	(315)
Realized and unrealized gain	-	2,143	2,143
Ending balance	<u>\$ -</u>	<u>\$ 33,645</u>	<u>\$ 33,645</u>

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Page 15

Composition of and changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Beginning balance	\$ -	\$ 28,870	\$ 28,870
Earnings on investments	-	721	721
Investment fees	-	(297)	(297)
Realized and unrealized gain	-	1,570	1,570
Ending balance	<u>\$ -</u>	<u>\$ 30,864</u>	<u>\$ 30,864</u>

Included in the donor restrictions amount above are \$21,245 to be held in perpetuity.

NOTE 6 FAIR VALUE MEASUREMENT

The Organization follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to level 3 inputs.

Financial assets carried at fair value and measured on a recurring basis at June 30, 2024 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Endowment investments	<u>\$ 33,645</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,645</u>

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Page 16

Financial assets carried at fair value and measured on a recurring basis at June 30, 2023 are classified below in one of the three levels described above:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets				
Endowment investments	<u>\$ 30,864</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,864</u>

Level 1 - The endowment investments are held and managed by the Foundation. The funds are held in the Foundation's endowment and long-term pool of investments. The values are based on the fair market value of the underlying securities.

NOTE 7 CONDITIONAL GRANTS

Conditional grants consist of the following at June 30, 2024:

	<u>Conditional grant amount</u>	<u>Revenue recognized for the year end June 30, 2024</u>	<u>Revenue has been recognized in prior years</u>	<u>Remaining revenue to be recognized when conditions are met</u>
San Diego State University Research Foundation on behalf of KPBS	\$ 600,000	\$ 100,000	\$ -	\$ 500,000
The Conrad Prebys Foundation	110,000	-	-	110,000
	<u>\$ 710,000</u>	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ 610,000</u>

During the year ended June 30, 2024, the Organization received a restricted grant amounting to \$600,000 from the San Diego State University Research Foundation on behalf of KPBS that contained performance-related donor conditions. Since this grant represents conditional promises to give, it is not recorded as contribution revenue until donor conditions are met. During the year ended June 30, 2024, the Organization recognized \$100,000 as contribution revenue once the donor conditions were met. As of June 30, 2024, \$100,000 has been recognized as revenue since the initial grant was received.

During the year ended June 30, 2024, the Organization received a restricted grant amounting to \$110,000 from The Conrad Prebys Foundation that contained performance-related donor conditions. Since this grant represents conditional promises to give, it is not recorded as contribution revenue until donor conditions are met. As of June 30, 2024, the donor conditions have not been met.

INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023

Page 17

Conditional grants consist of the following at June 30, 2023:

	Conditional grant amount	Revenue recognized for the year end June 30, 2023	Revenue has been recognized in prior years	Remaining revenue to be recognized when conditions are met
The American Journalism Project	\$ 1,515,000	\$ 252,500	\$ 1,262,500	\$ -
Reva and David Logan Foundation	25,000	25,000	-	-
	<u>\$ 1,540,000</u>	<u>\$ 277,500</u>	<u>\$ 1,262,500</u>	<u>\$ -</u>

During the year ended June 30, 2020, the Organization received a restricted grant amounting to \$1,515,000 from The American Journalism Project (AJP) that contained donor conditions. Since this grant represents conditional promises to give, it is not recorded as contribution revenue until donor conditions are met. The grant from AJP provided the Organization with capacity to build the revenue team, therefore the funds are fully restricted for development and business salaries and expenses. During the year ended June 30, 2023, the Organization recognized \$252,500 as contribution revenue once the donor conditions were met. As of June 30, 2023, the full amount of the grant, \$1,515,000, has been recognized as revenue since the initial grant was received.

During the year ended June 30, 2022, the Organization received a partially restricted grant amounting to \$150,000 from Reva and David Logan Foundation that contained donor conditions of which \$25,000 had matching fund requirements. Since this grant represents conditional promises to give, it is not recorded as contribution revenue until the donor conditions are met. As of June 30, 2023, the donor conditions have been met and the amount is recorded in restricted foundation contributions on the statement of activities and changes in net assets.

NOTE 8 RETIREMENT PLAN

The Organization maintains a 401(k) plan which provides employees an opportunity to defer a portion of their compensation through salary reduction. The Organization matches 50% of the employee's contribution up to a maximum of 6% relative to the salaries of the participating employee. The Organization contributed \$38,496 and \$36,845 for the years ended June 30, 2024 and 2023, respectively.

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 18

NOTE 9 NET ASSETS

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of the passage of time or other events specified by donors during the years ended June 30, 2024 and 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Purpose restrictions accomplished:		
Community engagement lab	\$ 250,000	\$ -
Cartoonist/illustrator support	156,586	-
Documenters support	141,938	-
Health reporting in underserved communities	100,000	-
Investigative reporter support	88,797	66,575
Data driven reporting project	45,000	-
Sustainability projects	40,000	-
AI experimentation	25,000	-
Investigation of illegal rent increases	10,000	-
Dependents health insurance	7,795	4,307
Investigative reporting interns	2,100	5,000
Imperial Valley health reporting	2,028	-
Development/business salaries	-	671,120
Meta journalism project	-	27,054
Audience engagement	-	25,000
News outreach and coverage reporting	-	13,500
Spotlight Club events	-	6,500
Conservatorships reporting	-	4,000
Ballot initiative reporting	-	4,000
	<u>\$ 869,244</u>	<u>\$ 827,056</u>

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 19

Net assets consisted of the following at June 30, 2024 and 2023:

	2024	2023
Without donor restrictions	\$ 297,524	\$ 398,258
With donor restrictions		
Documenters support	155,620	100,000
Public matters	100,000	-
Cartoonist/illustrator support	49,161	-
Investigative reporter support	14,274	71,911
Imperial Valley health reporting	4,472	-
Investigative reporting interns	2,900	-
Community engagement lab	-	250,000
Investigation of illegal rent increases	-	10,000
Endowment investments in perpetuity	21,245	21,245
Endowment earnings	12,400	9,619
	<u>360,072</u>	<u>462,775</u>
	<u>\$ 657,596</u>	<u>\$ 861,033</u>

NOTE 10 LIQUIDITY AND AVAILABILITY

The Organization is substantially supported by contributions without donor restrictions. Contributions and expenses are monitored on a monthly basis by the Organization's management and a committee of the Board of Directors. The level of assets is monitored on an annual basis. The Organization's goal is to be able to function within the boundaries of the income received throughout the year.

As part of the Organization's liquidity management, it has structured its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization manages its liquidity following three guiding principles: operating within a prudent range of financial stewardship and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient funds to provide reasonable assurance that long-term obligations will be discharged. The Organization has a reserve account for which excess funds may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the course of business.

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 20

The following reflects the Organization's financial assets as of June 30, 2024 and 2023, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the statement of financial position date:

	2024	2023
Financial assets at year-end:		
Cash	\$ 184,266	\$ 486,714
Pledges receivable	448,926	336,503
Endowment investments	33,645	30,864
	<u>666,837</u>	<u>854,081</u>
Less those amounts unavailable for general expenditures within one year due to:		
Donor imposed restrictions	(338,827)	(441,530)
Endowment investments held in perpetuity	(21,245)	(21,245)
	<u>(360,072)</u>	<u>(462,775)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 306,765</u>	<u>\$ 391,306</u>

NOTE 11 IN-KIND DONATIONS

In-kind donations consist of office space and service that are used for the Organization's general operation support.

In-kind donations consist of the following for the years ended June 30, 2024 and 2023:

	2024	2023
Office space	\$ 44,000	\$ -
Accounting	600	-
Others	240	-
	<u>\$ 44,840</u>	<u>\$ -</u>

NOTE 12 LEASE

The Organization entered into a lease agreement for office space in November 2022 with a lease term of three months from December 2022 to February 2023. Beginning March 2023, the lease became a month-to-month commitment. The monthly rent is \$4,000. Beginning August 2023, the Organization began to receive rent abatement on the office space. Included in rent expense for the years ended June 30, 2024 and 2023 were \$48,000 and \$28,000 on the statements of functional expenses, respectively. Beginning August 2024, the Organization stopped receiving rent abatement on the office space and started to pay monthly rent of \$4,000.

**INVESTIGATIVE NEWSOURCE
dba INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023**

Page 21

NOTE 13 SUBSEQUENT EVENTS

The Organization has evaluated subsequent events through September 24, 2024, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.