

# **Civic News Company**

Financial Statements

June 30, 2023 and 2022

## Independent Auditors' Report

**Board of Directors**  
**Civic News Company**

### ***Opinion***

We have audited the accompanying financial statements of Civic News Company, which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities and change 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 Civic News Company as of June 30, 2023 and 2022, and the changes in net assets 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Civic News Company 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.

### ***Emphasis of Matter***

As discussed in Note 2 to the financial statements, Civic News Company adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method with July 1, 2022, as the date of initial adoption. Our opinion is not modified with respect to that matter.

### ***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 Civic News Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' 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 auditors' 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 Civic News Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Civic News Company'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.

**Disclaimer of Opinion on Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The statement of financial position by bureau and statement of activities and change in net assets by bureau, which are the responsibility of management, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

*PKF O'Connor Davies, LLP*

February 16, 2024

## Civic News Company

### Statements of Financial Position

	June 30	
	<u>2023</u>	<u>2022</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,546,041	\$ 3,811,178
Certificates of deposit	-	206,295
Grants receivable, net	7,576,423	3,948,333
Accounts receivable	231,811	184,869
Prepaid expenses	121,196	234,761
Other assets	96,816	102,266
Right-of-use asset, net	<u>582,062</u>	<u>-</u>
	<u>\$ 11,154,349</u>	<u>\$ 8,487,702</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 267,681	\$ 326,969
Loan payable	250,000	-
Deferred revenue	189,400	163,580
Lease liability	<u>574,762</u>	<u>-</u>
Total Liabilities	<u>1,281,843</u>	<u>490,549</u>
Net Assets (Deficit)		
Without donor restrictions	(2,109,465)	(717,430)
With donor restrictions	<u>11,981,971</u>	<u>8,714,583</u>
Total Net Assets	<u>9,872,506</u>	<u>7,997,153</u>
	<u>\$ 11,154,349</u>	<u>\$ 8,487,702</u>

See notes to financial statements

## Civic News Company

### Statements of Activities and Change in Net Assets

	Year Ended June 30					
	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Sponsorships and reader services	\$ 905,230	\$ -	\$ 905,230	\$ 954,255	\$ -	\$ 954,255
Corporate and foundation grants	2,290,631	10,799,830	13,090,461	1,222,488	8,607,320	9,829,808
Individuals donations	238,846	500,000	738,846	968,229	1,000,000	1,968,229
Donated services and materials	583,153	-	583,153	169,262	-	169,262
Rental income	75,000	-	75,000	-	-	-
Other revenue	16,768	-	16,768	22,934	-	22,934
Net assets released from restrictions	<u>8,032,442</u>	<u>(8,032,442)</u>	<u>-</u>	<u>6,758,209</u>	<u>(6,758,209)</u>	<u>-</u>
Total Support and Revenue	<u>12,142,070</u>	<u>3,267,388</u>	<u>15,409,458</u>	<u>10,095,377</u>	<u>2,849,111</u>	<u>12,944,488</u>
<b>EXPENSES</b>						
Program services	9,708,408	-	9,708,408	8,523,075	-	8,523,075
Management and general	2,293,242	-	2,293,242	2,289,175	-	2,289,175
Fundraising	<u>1,532,455</u>	<u>-</u>	<u>1,532,455</u>	<u>1,235,796</u>	<u>-</u>	<u>1,235,796</u>
Total Expenses	<u>13,534,105</u>	<u>-</u>	<u>13,534,105</u>	<u>12,048,046</u>	<u>-</u>	<u>12,048,046</u>
Change in Net Assets	(1,392,035)	3,267,388	1,875,353	(1,952,669)	2,849,111	896,442
<b>NET ASSETS</b>						
Beginning of year	<u>(717,430)</u>	<u>8,714,583</u>	<u>7,997,153</u>	<u>1,235,239</u>	<u>5,865,472</u>	<u>7,100,711</u>
End of year	<u>\$ (2,109,465)</u>	<u>\$ 11,981,971</u>	<u>\$ 9,872,506</u>	<u>\$ (717,430)</u>	<u>\$ 8,714,583</u>	<u>\$ 7,997,153</u>

See notes to financial statements

## Civic News Company

### Statements of Functional Expenses

	Year Ended June 30							
	2023				2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
<b>EXPENSES</b>								
Salaries and wages	\$ 6,553,670	\$ 1,048,587	\$ 1,135,969	\$ 8,738,226	\$ 5,868,280	\$ 1,099,240	\$ 893,108	\$ 7,860,628
Benefits	1,063,520	154,666	138,520	1,356,706	926,763	168,357	113,639	1,208,759
Payroll taxes	601,263	132,845	100,523	834,631	580,643	70,667	80,728	732,038
Rent and utilities	145,103	269,478	-	414,581	108,500	231,649	-	340,149
Professional fees	752,522	317,470	105,823	1,175,815	331,028	494,368	86,428	911,824
Advertising, marketing, and publicity	4,973	1,207	-	6,180	30,241	208	8,331	38,780
Meetings and conferences	3,459	3,818	2,195	9,472	6,312	5,203	2,757	14,272
Dues and subscriptions	10,590	2,190	1,087	13,867	8,150	1,496	1,642	11,288
Office equipment	16,958	8,311	3,206	28,475	36,804	25,348	4,512	66,664
Finance charges and bank fees	-	2,336	-	2,336	-	223	-	223
Insurance	-	39,251	-	39,251	-	30,120	-	30,120
Office supplies	1,810	416	63	2,289	2,465	1,137	82	3,684
Professional development	26,109	36,481	8,941	71,531	31,890	3,007	998	35,895
Software as a service	132,872	111,870	9,107	253,849	115,857	81,341	8,184	205,382
Website management	182,833	-	-	182,833	340,334	-	-	340,334
Community events	96,698	11,576	151	108,425	13,724	-	5,894	19,618
Printing and publications	981	43	228	1,252	724	224	659	1,607
Postage and delivery	119	1,329	107	1,555	509	813	379	1,701
Telephone and internet	52,235	7,707	5,928	65,870	82,818	18,522	10,189	111,529
Travel	24,424	19,489	20,239	64,152	32,308	8,746	16,396	57,450
Annual retreat	5,147	6,740	368	12,255	-	-	-	-
Other expenses	33,122	117,432	-	150,554	5,725	48,506	1,870	56,101
<b>Total Expenses</b>	<b><u>\$ 9,708,408</u></b>	<b><u>\$ 2,293,242</u></b>	<b><u>\$ 1,532,455</u></b>	<b><u>\$ 13,534,105</u></b>	<b><u>\$ 8,523,075</u></b>	<b><u>\$ 2,289,175</u></b>	<b><u>\$ 1,235,796</u></b>	<b><u>\$ 12,048,046</u></b>

See notes to financial statements

## Civic News Company

### Statements of Cash Flows

	Year Ended June 30	
	2023	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,875,353	\$ 896,442
Adjustments to reconcile change in net assets to net cash from operating activities		
Amortization of right-of-use asset	238,182	-
Changes in operating assets and liabilities		
Grants receivable	(3,628,090)	(1,694,294)
Accounts receivable	(46,942)	(56,774)
Prepaid expenses	113,565	(93,433)
Other assets	5,450	(82,809)
Accounts payable and accrued expenses	(59,288)	83,257
Deferred revenue	25,820	77,661
Change in lease liability	(245,482)	-
Net Cash from Operating Activities	(1,721,432)	(869,950)
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Change in certificates of deposit	206,295	(95)
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from loan	250,000	-
 Net Change in Cash and Cash Equivalents	(1,265,137)	(870,045)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	3,811,178	4,681,223
End of year	\$ 2,546,041	\$ 3,811,178

See notes to financial statements

## **Civic News Company**

Notes to Financial Statements  
June 30, 2023 and 2022

### **1. Organization**

Civic News Company, formerly known as Chalkbeat, Inc., is a nonprofit news organization covering educational change efforts and other critical topics in communities where improvement matters most. Civic News Company has bureaus in New York, Colorado, Philadelphia, Indiana, Tennessee, Detroit, Chicago and Newark. In addition to the local bureau coverage, Civic News Company reports at a national level. Civic News Company's mission is to inform the decisions and actions that lead to better outcomes for children and families by providing deep, local coverage of education policy and practice and other critical topics. In 2022, Votebeat was launched as a program of Civic News Company to provide independent nonpartisan coverage of election integrity in Arizona, Michigan, Pennsylvania, Texas and Wisconsin. In 2022, Civic News Company obtained a DBA as Votebeat to do business in those related states.

Civic News Company is a not-for-profit corporation exempt from income taxes under Section 501(c)(3) of the United States Internal Revenue Code and has been classified as a public charity under Section 170(b).

### **2. Summary of Significant Accounting Policies**

#### ***Adoption of New Accounting Principle***

Civic News Company adopted Financial Accounting Standards Board ("FASB") Topic 842, *Leases*, using the effective date method with July 1, 2022, as the date of initial adoption.

Civic News Company elected the available practical expedients to account for its existing operating leases, under the new guidance, without reassessing (a) whether the contracts contain leases under the new standard, (b) whether classification of capital leases (now finance) or operating leases would be different in accordance with the new guidance, or (c) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

As a result of the adoption of the new lease accounting guidance, on July 1, 2022, the date of adoption; Civic News Company recognized a lease liability of \$800,242, that represents the present value of the remaining operating lease payments of \$840,427, discounted using the normalized risk-free interest rate of 2.86% and a right-of-use asset of \$820,244, which represents the lease liability of \$800,242, adjusted for prepaid rent of \$20,002. Adoption of the standard had a material impact on Civic News Company's statement of financial position but did not have an impact on its statements of activities and cash flows. The most significant impact was the recognition of the right-of-use asset and lease liability for operating leases.



## Civic News Company

Notes to Financial Statements  
June 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

#### ***Donor-Imposed Restrictions, Grants, Donations and Contributions***

Civic News Company is required to determine whether contributions are conditional or unconditional. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially. Once the barriers to entitlement are overcome, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. For a donor-imposed condition to exist, a right of return or release must be stated, and the agreement must include a performance-related condition or other measurement barrier.

Contributions of assets other than cash are recorded at the estimated fair value.

#### ***Sponsorships and Reader Services***

Sponsorships and reader services are recognized as performance obligations to Civic News Company's customers are satisfied. Management has determined that its contracts with customers contain one performance obligation to promote education job listings or to assist customers in spreading their message by inclusion on Civic News Company's website and/or newsletter. The duration of services provided is determined by the terms of the contract with Civic News Company's customer. As such, performance obligations are satisfied at either a point in time or over time.

Cash received in advance of the service provided is recorded as deferred revenue in the accompanying statements of financial position.

Contract assets as of July 1, 2021, consisted of \$128,095 of accounts receivables. Contract liabilities as July 1, 2021, consisted of \$85,919 of deferred revenue.

#### ***Net Asset Presentation***

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

*Without donor restrictions* – consist of resources available for the general support of Civic News Company's operations. These net assets may be used at the discretion of Civic News Company's management and Board of Directors (the "Board").

## **Civic News Company**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Net Asset Presentation (continued)***

*With donor restrictions* – represents amounts restricted by donors to be used for specific activities or at some future date, or which require Civic News Company to maintain in perpetuity, the income of which can be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities and change in net assets as net assets released from restrictions.

#### ***Donated Services and Materials***

Civic News Company recognizes donations of services if the services received: (a) create or enhance nonfinancial assets; or (b) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Donated services that do not meet the above criteria are not recognized.

Civic News Company recognizes donations of materials at their estimated fair value.

#### ***Investments***

Investments are classified as available-for-sale and carried at fair value. Unrealized gains and losses on available-for-sale securities are recognized as direct increases or decreases in net assets. It is Civic News Company's policy to convert donated securities to cash as soon as reasonably possible.

#### ***Certificates of Deposit***

Certificates of deposit are recorded at cost plus accrued interest, which approximates fair value. Civic News Company did not hold any certificate of deposit at June 30, 2023. The certificates of deposit held at June 30, 2022, bore interest at 0.05% per annum and matured on December 2, 2022.

#### ***Allowance for Doubtful Accounts***

When necessary, an allowance for doubtful accounts for accounts and grants receivable will be established through a provision for bad debts charged to expenses. The allowance is an amount that management believes will be adequate to absorb estimated losses on existing unconditional promises to give and is based on prior bad debt experience. Management has determined that no allowances were required at June 30, 2023 and 2022.

#### ***Functional Allocation of Expenses***

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied.

## **Civic News Company**

Notes to Financial Statements  
June 30, 2023 and 2022

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Functional Allocation of Expenses (continued)***

Salaries and employee benefits are allocated on the basis of staff estimates of time and effort. Costs identifiable to a particular function are directly charged to the program or supporting service. Other costs are allocated based on the percentage of overall salary allocation.

#### ***Accounting for Uncertainty in Income Taxes***

Civic News Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that Civic News Company had no uncertain tax positions that would require financial statement recognition or disclosure.

Tax years since 2020 remain open to examination. There are currently no examinations in progress.

#### ***Leases***

As of July 1, 2022, Civic News Company leases office space and determines the arrangement is an operating lease at inception. Operating leases are included in lease right-of-use asset ("ROU asset") and lease liability on the accompanying statement of financial position.

ROU asset represents the right to use an underlying asset for the lease term and lease liability represents the obligation to make lease payments arising from the lease. Operating lease ROU asset and liability are recognized at the lease commencement date based on the present value of lease payments over the lease term. When leases do not provide an implicit borrowing rate, Civic News Company uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

The lease terms may include options to extend the lease and when it is reasonably certain that Civic News Company will exercise that option, such amounts are included in ROU asset and lease liability. Lease expense for the lease payments is recognized on a straight-line basis of the lease term.

Civic News Company's lease agreement does not contain any material residual value guarantees or material restrictive covenants.

#### ***Advertising, Marketing, and Publicity Costs***

Advertising, marketing, and publicity costs are expensed as incurred. Advertising expense was \$6,180 and \$38,780 for the years ended June 30, 2023 and 2022.

## Civic News Company

Notes to Financial Statements  
June 30, 2023 and 2022

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 16, 2024. Management determined that, except as disclosed in Note 10, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

### 3. Concentration of Credit Risk

Civic News Company maintains its cash and certificates of deposit in bank deposit accounts with major financial institutions, which, at times, may exceed federally insured limits. Civic News Company has not experienced any losses in such accounts and believes its cash and certificates of deposit balances are not exposed to any significant risk.

Concentrations of credit risk with respect to receivables are generally diversified due to the large number of corporations, foundations and individuals composing Civic News Company's donor base. However, as of the fiscal year ended June 30, 2023 and 2022, 66% and 73% of Civic News Company's grants receivables was owed from two different donors.

### 4. Grants Receivable

Grants receivable which are due after one year are discounted to present value using discount rates of 6.87% and 1.59% and at June 30, 2023 and 2022. Amortization of the discount is included in corporate and foundation grant support and revenue. Grants receivable, net of discount, at June 30, are summarized as follows:

	<u>2023</u>	<u>2022</u>
Due within one year	\$ 5,668,805	\$ 2,932,943
Due one year to five years	<u>2,093,695</u>	<u>1,050,000</u>
Grants Receivable	7,762,500	3,982,943
Less: discount	<u>186,077</u>	<u>34,610</u>
Grants Receivable, Net	<u>\$ 7,576,423</u>	<u>\$ 3,948,333</u>

## Civic News Company

Notes to Financial Statements  
June 30, 2023 and 2022

### 5. Net Assets With Donor Restrictions

At June 30, net assets with donor restrictions that were temporary in nature were available for the following purposes:

	2023	2022
General operating - time restriction	\$ 60,000	\$ 60,000
Civic Network	2,734,040	1,630,236
Healthbeat	3,752,999	66,666
Votebeat	1,778,571	1,490,569
Editorial, reporting and local audience development	24,812	26,455
Education journalism restricted by location	1,942,479	3,048,910
Recovery dollars	-	16,120
Sunnylands	3,346	263,977
Growth fund	1,685,724	2,111,650
	\$ 11,981,971	\$ 8,714,583

At June 30, net assets with donor restrictions that were temporary in nature were available for the following purposes:

During the years ended June 30, net assets with donor restrictions that were temporary in nature were released from restrictions by incurring expenses for the following donor restricted purposes:

	2023	2022
General operating - time restriction	\$ -	\$ 325,000
Civic Network	996,196	469,764
Votebeat	1,688,137	272,765
Editorial, reporting and local audience development	1,643	7,357
Education journalism restricted by location	3,932,790	4,759,140
Growth fund	876,925	236,593
Media expansion	-	500,000
Recovery dollars	16,120	138,880
Sunnylands	520,631	46,966
COVID-19 response	-	1,744
	\$ 8,032,442	\$ 6,758,209

## Civic News Company

Notes to Financial Statements  
June 30, 2023 and 2022

### 6. Commitments and Contingencies

#### *Operating Leases*

Civic News Company entered into a lease agreement for office space effective August 1, 2021 through November 29, 2025 with rent totaling approximately \$20,000 per month, and an annual 2.25% increase.

Civic News Company amortizes the operating lease right-of-use assets over the remaining life of the lease agreements. The right-of-use asset and corresponding liability associated with the future lease payments on the above noted lease as of June 30, 2023 is shown below:

Right-of-use asset	\$	582,062
Lease liability		574,762
Weighted Average:		
Discount rate		2.86%
Remaining lease term in years		2.42

ROU asset is net of \$238,182 accumulated amortization at June 30, 2023.

The remaining minimum lease payments are as follows:

2024	\$	250,949
2025		256,595
2026		87,456
Total Future Minimum Lease Payments		595,000
Less Imputed Interest		(20,238)
Total Lease Liability	\$	<u>574,762</u>

Supplemental cash flow information related to operating leases was as follow for the year ended June 30, 2023:

Cash paid for amounts included in the measurement of operating lease liability	\$	245,427
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In addition, Civic News Company enters into several lease and sublease agreements to rent office space at each of its bureaus, with terms of one year or less, and with monthly rents ranging from approximately \$650 to \$1,500 at June 30, 2023 and June 30, 2022.

For the year ended June 30, 2023 and 2022, rent totaled \$414,581 that consisted of operating lease expense of \$258,129 and short-term lease expenses of \$156,452. For the year ended June 30, 2022, rent expense amounted to \$340,149.

## Civic News Company

Notes to Financial Statements  
June 30, 2023 and 2022

### 6. Commitments and Contingencies (*continued*)

#### *Litigation*

From time to time and in the ordinary course of business, Civic News Company may be subject to various claims, charges, and litigation. In the opinion of management, final judgments from such pending claims, charges, and litigations, if any, against the Civic News Company would not have a material adverse effect on the Civic News Company's financial position, results of operations or cash flows.

### 7. Related Party Transactions

During the years ended June 30, 2023 and 2022, Civic News Company received contributions from Board members and their related foundations totaling \$869,292 and \$511,950, which are included in support and revenue in the accompanying statements of activities and change in net assets.

### 8. Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of statement of financial position date, comprise of the following at June 30:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 2,546,041	\$ 3,811,178
Certificates of deposit	-	206,295
Grants receivable, net	7,576,423	3,948,333
Accounts receivable	<u>231,811</u>	<u>184,869</u>
Total Financial Assets	10,354,275	8,150,675
Less: amounts restricted by donor with time or purpose restriction	(11,981,971)	(8,714,583)
Plus: time and purpose restriction expected to release the next year	<u>9,727,956</u>	<u>6,330,277</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 8,100,260</u>	<u>\$ 5,766,369</u>

Civic News Company's working capital and cash flows are driven by revenue streams of sponsorships and reader services, foundation grants, and individual donations, Civic News Company will continue to rely on support from these revenue streams in order to meet its general expenditure requirements.

## Civic News Company

### Notes to Financial Statements June 30, 2023 and 2022

#### 9. Line of Credit Payable

Civic News Company entered into a line of credit agreement in October 2022 with a bank that allows for borrowings up to \$1,000,000 through October 31, 2024. Any borrowings would be at the interest rate of the 3% above the secured overnight financing rate. There were no borrowings on the line of credit at June 30, 2023 and 2022 and at the time of issuance of the financial statements.

#### 10. Loan Payable

On December 7, 2022, Civic News Company obtained a loan from a board member (the "lender") in the aggregate amount of \$250,000 and concurrently executed a promissory note with the lender. The promissory note has a fixed interest rate of 1% per annum, maturing on December 7, 2023, or within seven (7) days from the date Civic News Company has at least \$3.6 million in cash on hand in their operating bank account. Subsequent to the fiscal year end in December of 2023, the maturity date of the loan was extended by the lender to June 30, 2024.

The balance outstanding as of June 30, 2023 was \$250,000. Interest expense amounted to \$- for the year ended June 30, 2023.

#### 11. In-Kind Contributions

In-kind contributions for fiscal 2023 and 2022 consisted of the following:

	2023	2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Furniture	\$ -	\$ 19,697	General and Administrative	No associated donor restrictions	Civic News Company estimated the fair value on the basis of estimates of wholesale values that would be received for selling similar products in the United States.
Services	<u>583,153</u>	<u>149,565</u>	Various Fundraising and Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
	<u>\$ 583,153</u>	<u>\$ 169,262</u>			

\* \* \* \* \*



**Civic News Company**

Supplementary Information

June 30, 2023

## Civic News Company

### Statements of Financial Position By Bureau (Unaudited) June 30, 2023

#### Civic News Company Programs

	Civic News Company	Chalkbeat Network	Chicago	Colorado	Detroit	Indiana	Chalkbeat National	New York	Newark	Philadelphia	Tennessee	Healthbeat	Civic News Company Programs Total
<b>ASSETS</b>													
Cash and cash equivalents	\$ 286,580	\$ -	\$ 516,382	\$ -	\$ -	\$ -	\$ -	\$ 62,220	\$ -	\$ 266,811	\$ -	\$ 133,333	\$ 1,265,326
Grants receivable, net	2,467,923	148,000	50,000	5,000	12,500	50,000	-	10,000	210,000	-	125,000	3,653,000	6,731,423
Accounts receivable	202,394	24,327	300	-	-	21	2,707	1,800	-	-	-	-	231,549
Prepaid expenses	-	78,068	5,511	8,528	400	8,333	529	400	1,800	5,163	6,267	-	114,999
Other assets	-	87,434	3,193	632	-	800	-	-	1,800	1,757	1,200	-	96,816
Right-of-use asset, net	516,031	66,031	-	-	-	-	-	-	-	-	-	-	582,062
	<u>\$ 3,472,928</u>	<u>\$ 403,860</u>	<u>\$ 575,386</u>	<u>\$ 14,160</u>	<u>\$ 12,900</u>	<u>\$ 59,154</u>	<u>\$ 3,236</u>	<u>\$ 74,420</u>	<u>\$ 213,600</u>	<u>\$ 273,731</u>	<u>\$ 132,467</u>	<u>\$ 3,786,333</u>	<u>\$ 9,022,175</u>
<b>LIABILITIES AND NET ASSETS</b>													
<b>Liabilities</b>													
Accounts payable and accrued expenses	\$ 241,477	\$ 3,371	\$ 4,065	\$ 3,702	\$ 4,595	\$ 1,531	\$ 955	\$ 1,300	\$ 194	\$ 1,859	\$ 2,169	\$ -	\$ 265,217
Loan payable	250,000	-	-	-	-	-	-	-	-	-	-	-	250,000
Deferred revenue	51,320	172	2,956	5,283	3,783	3,770	37,086	63,408	9,188	7,438	2,996	-	187,400
Lease liability	574,762	-	-	-	-	-	-	-	-	-	-	-	574,762
Total Liabilities	<u>1,117,559</u>	<u>3,543</u>	<u>7,021</u>	<u>8,985</u>	<u>8,378</u>	<u>5,301</u>	<u>38,041</u>	<u>64,708</u>	<u>9,382</u>	<u>9,297</u>	<u>5,165</u>	<u>-</u>	<u>1,277,379</u>
<b>NET ASSETS (DEFICIT)</b>													
Net assets	2,389,694	376,028	739,103	44,645	267,156	549,530	2,686	459,582	109,240	529,760	227,337	66,666	5,761,427
Change in net assets	(34,325)	24,289	(170,738)	(39,470)	(262,634)	(495,677)	(37,491)	(449,870)	94,978	(265,326)	(100,035)	3,719,667	1,983,368
Total Net Assets	<u>2,355,369</u>	<u>400,317</u>	<u>568,365</u>	<u>5,175</u>	<u>4,522</u>	<u>53,853</u>	<u>(34,805)</u>	<u>9,712</u>	<u>204,218</u>	<u>264,434</u>	<u>127,302</u>	<u>3,786,333</u>	<u>7,744,795</u>
	<u>\$ 3,472,928</u>	<u>\$ 403,860</u>	<u>\$ 575,386</u>	<u>\$ 14,160</u>	<u>\$ 12,900</u>	<u>\$ 59,154</u>	<u>\$ 3,236</u>	<u>\$ 74,420</u>	<u>\$ 213,600</u>	<u>\$ 273,731</u>	<u>\$ 132,467</u>	<u>\$ 3,786,333</u>	<u>\$ 9,022,175</u>

Independent auditors' report

## Civic News Company

### Statements of Financial Position By Bureau (Unaudited) June 30, 2023

	Civic News Company Programs Total	Votebeat Programs						Votebeat Programs Total	Total
		Arizona (Votebeat)	Michigan (Votebeat)	Pennsylvania (Votebeat)	Texas (Votebeat)	Votebeat Network	Wisconsin Votebeat		
<b>ASSETS</b>									
Cash and cash equivalents	\$ 1,265,326	\$ 63,105	\$ 242,340	\$ 299,769	\$ 62,757	\$ 462,744	\$ 150,000	\$ 1,280,715	\$ 2,546,041
Grants receivable, net	6,731,423	-	-	95,000	-	750,000	-	845,000	7,576,423
Accounts receivable	231,549	-	-	-	-	262	-	262	231,811
Prepaid expenses	114,999	-	-	-	850	5,347	-	6,197	121,196
Other assets	96,816	-	-	-	-	-	-	-	96,816
Right-of-use asset, net	582,062	-	-	-	-	-	-	-	582,062
	<u>\$ 9,022,175</u>	<u>\$ 63,105</u>	<u>\$ 242,340</u>	<u>\$ 394,769</u>	<u>\$ 63,607</u>	<u>\$ 1,218,353</u>	<u>\$ 150,000</u>	<u>\$ 2,132,174</u>	<u>\$ 11,154,349</u>
<b>LIABILITIES AND NET ASSETS</b>									
Liabilities									
Accounts payable and accrued expenses	\$ 265,217	\$ 328	\$ 132	\$ 515	\$ 695	\$ 794	\$ -	\$ 2,464	\$ 267,681
Loan payable	250,000	-	-	-	-	-	-	-	250,000
Deferred revenue	187,400	-	-	-	-	2,000	-	2,000	189,400
Lease liability	574,762	-	-	-	-	-	-	-	574,762
Total Liabilities	<u>1,277,379</u>	<u>328</u>	<u>132</u>	<u>515</u>	<u>695</u>	<u>2,794</u>	<u>-</u>	<u>4,464</u>	<u>1,281,843</u>
<b>NET ASSETS (DEFICIT)</b>									
Net assets	5,761,427	(1,000)	119,761	63,790	-	2,053,174	-	2,235,725	7,997,153
Change in net assets	1,983,368	63,777	122,447	330,464	62,912	(837,615)	150,000	(108,015)	1,875,353
Total Net Assets	<u>7,744,795</u>	<u>62,777</u>	<u>242,208</u>	<u>394,254</u>	<u>62,912</u>	<u>1,215,559</u>	<u>150,000</u>	<u>2,127,710</u>	<u>9,872,506</u>
	<u>\$ 9,022,175</u>	<u>\$ 63,105</u>	<u>\$ 242,340</u>	<u>\$ 394,769</u>	<u>\$ 63,607</u>	<u>\$ 1,218,353</u>	<u>\$ 150,000</u>	<u>\$ 2,132,174</u>	<u>\$ 11,154,349</u>

Independent auditors' report

## Civic News Company

### Statements of Activities and Change in Net Assets By Bureau (Unaudited) June 30, 2023

Civic News Company Programs													
	Civic News Company	Chalkbeat Network	Chicago	Colorado	Detroit	Indiana	Chalkbeat National	New York	Newark	Philadelphia	Tennessee	Healthbeat	Civic News Company Programs Total
<b>SUPPORT AND REVENUE</b>													
Sponsorships and reader services	\$ 851,656	\$ 53,574	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 905,230
Corporate and foundation grants	4,380,709	276,233	703,316	433,045	387,195	37,750	556,163	237,097	482,977	114,767	132,359	3,653,000	11,394,611
Individuals donations	89,059	46,718	50,582	47,255	24,764	15,318	4,300	271,900	6,822	33,427	9,212	108,955	708,312
Donated services and materials	583,153	-	-	-	-	-	-	-	-	-	-	-	583,153
Rental income	62,250	-	-	-	-	-	3,750	9,000	-	-	-	-	75,000
Other revenue	14,983	1,840	-	-	-	-	-	-	-	(55)	-	-	16,768
Inter-bureau revenue	(1,108,058)	(328,950)	56,884	651,372	192,049	160,446	101,817	56,803	89,518	26,780	397,563	-	296,224
<b>Total Support and Revenue</b>	<b>4,873,752</b>	<b>49,415</b>	<b>810,782</b>	<b>1,131,672</b>	<b>604,008</b>	<b>213,514</b>	<b>666,030</b>	<b>574,800</b>	<b>579,317</b>	<b>174,919</b>	<b>539,134</b>	<b>3,761,955</b>	<b>13,979,298</b>
<b>EXPENSES</b>													
Salaries and wages	3,352,765	(307,533)	653,175	786,209	607,551	461,386	493,132	689,079	327,396	295,334	439,728	-	7,798,222
Benefits	571,084	204,307	75,696	82,215	35,010	52,462	33,478	77,328	25,406	21,900	32,675	-	1,211,561
Payroll taxes	405,883	128,291	30,489	37,470	31,512	21,261	24,643	33,734	18,441	10,648	22,556	-	764,928
Rent and utilities	271,613	(500)	28,292	6,557	18,665	7,881	9,001	22,061	21,601	18,675	10,734	-	414,580
Professional fees	938,352	(132)	11,566	43,242	10,953	29,369	9,991	13,795	5,136	12,037	8,627	42,288	1,125,224
Advertising, marketing, and publicity	1,207	-	642	708	333	345	176	1,108	165	130	303	-	5,117
Meetings and conferences	6,183	-	319	275	423	210	48	1,124	142	234	419	-	9,377
Dues and subscriptions	3,277	-	1,371	1,897	678	551	1,059	634	263	95	1,190	-	11,015
Office equipment	12,787	-	1,708	388	588	4,735	1,342	2,728	156	1,929	1,266	-	27,627
Finance charges and bank fees	2,335	-	-	-	-	-	-	-	-	1	-	-	2,336
Insurance	39,251	-	-	-	-	-	-	-	-	-	-	-	39,251
Office supplies	449	-	123	364	16	448	37	337	87	56	250	-	2,167
Professional development	46,227	-	2,511	3,312	2,511	1,915	2,026	2,776	1,190	1,190	2,120	-	65,778
Software as a service	129,256	552	13,885	16,368	13,885	11,175	10,224	13,345	6,656	6,780	10,634	-	232,760
Website management	(9,135)	-	20,289	23,639	20,289	15,263	16,194	20,103	9,492	9,493	14,146	-	139,773
Community events	104,018	-	482	225	384	232	154	192	90	90	2,249	-	108,116
Printing and publications	272	-	110	67	60	170	39	42	102	123	166	-	1,151
Postage and delivery	1,449	-	-	4	23	57	-	-	-	-	-	-	1,533
Telephone and internet	18,580	25	5,178	6,973	4,878	3,615	3,771	6,866	2,982	2,562	3,503	-	58,933
Travel	44,285	-	2,125	1,850	1,685	1,217	1,592	765	263	251	1,336	-	55,369
Annual retreat	7,966	-	960	223	475	144	1,862	190	89	89	133	-	12,131
Other expenses	(1,040,027)	116	132,599	159,156	116,723	96,755	94,752	138,463	64,682	58,628	87,134	-	(91,019)
<b>Total Expenses</b>	<b>4,908,077</b>	<b>25,126</b>	<b>981,520</b>	<b>1,171,142</b>	<b>866,642</b>	<b>709,191</b>	<b>703,521</b>	<b>1,024,670</b>	<b>484,339</b>	<b>440,245</b>	<b>639,169</b>	<b>42,288</b>	<b>11,995,930</b>
<b>Change in Net Assets</b>	<b>\$ (34,325)</b>	<b>\$ 24,289</b>	<b>\$ (170,738)</b>	<b>\$ (39,470)</b>	<b>\$ (262,634)</b>	<b>\$ (495,677)</b>	<b>\$ (37,491)</b>	<b>\$ (449,870)</b>	<b>\$ 94,978</b>	<b>\$ (265,326)</b>	<b>\$ (100,035)</b>	<b>\$ 3,719,667</b>	<b>\$ 1,983,368</b>

Independent auditors' report

## Civic News Company

### Statements of Activities and Change in Net Assets By Bureau (Unaudited) June 30, 2023

Civic News Company Programs Total	Votebeat Programs							Votebeat Programs Total	Total
	Arizona (Votebeat)	Michigan (Votebeat)	Pennsylvania (Votebeat)	Texas (Votebeat)	Votebeat	Wisconsin (Votebeat)	Votebeat		
<b>SUPPORT AND REVENUE</b>									
Sponsorships and reader services	\$ 905,230	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 905,230
Corporate and foundation grants	11,394,611	379,209	417,110	570,954	336,514	(157,937)	150,000	1,695,850	13,090,461
Individuals donations	708,312	-	-	-	-	30,534	-	30,534	738,846
Donated services and materials	583,153	-	-	-	-	-	-	-	583,153
Rental income	75,000	-	-	-	-	-	-	-	75,000
Other revenue	16,768	-	-	-	-	-	-	-	16,768
Inter-bureau revenue	296,224	99,445	99,444	99,444	99,445	(694,002)	-	(296,224)	-
Total Support and Revenue	<u>13,979,298</u>	<u>478,654</u>	<u>516,554</u>	<u>670,398</u>	<u>435,959</u>	<u>(821,405)</u>	<u>150,000</u>	<u>1,430,160</u>	<u>15,409,458</u>
<b>EXPENSES</b>									
Salaries and wages	7,798,224	267,401	286,019	242,467	265,320	(121,205)	-	940,002	8,738,226
Benefits	1,211,559	25,194	11,654	8,893	13,664	85,742	-	145,147	1,356,706
Payroll taxes	764,928	6,525	10,286	5,737	7,971	39,184	-	69,703	834,631
Rent and utilities	414,581	-	-	-	-	-	-	-	414,581
Professional fees	1,125,222	26,985	2,829	5,773	2,908	12,098	-	50,593	1,175,815
Advertising, marketing, and publicity	5,119	156	135	135	635	-	-	1,061	6,180
Meetings and conferences	9,373	24	25	25	25	-	-	99	9,472
Dues and subscriptions	11,017	608	301	871	1,070	-	-	2,850	13,867
Office equipment	27,627	177	176	177	318	-	-	848	28,475
Finance charges and bank fees	2,336	-	-	-	-	-	-	-	2,336
Insurance	39,251	-	-	-	-	-	-	-	39,251
Office supplies	2,168	14	27	54	26	-	-	121	2,289
Professional development	65,780	1,105	1,187	1,995	1,464	-	-	5,751	71,531
Software as a service	232,759	5,146	5,146	5,146	5,146	506	-	21,090	253,849
Website management	139,773	10,765	10,765	10,765	10,765	-	-	43,060	182,833
Community events	108,116	115	65	65	65	-	-	310	108,426
Printing and publications	1,150	-	29	73	-	-	-	102	1,252
Postage and delivery	1,534	-	-	21	-	-	-	21	1,555
Telephone and internet	58,933	1,634	1,859	1,634	1,810	-	-	6,937	65,870
Travel	55,367	2,748	1,185	1,897	2,955	-	-	8,785	64,152
Annual retreat	12,132	30	31	31	31	-	-	123	12,255
Other expenses	(91,019)	66,250	62,388	54,175	58,874	(115)	-	241,572	150,553
Total Expenses	<u>11,995,930</u>	<u>414,877</u>	<u>394,107</u>	<u>339,934</u>	<u>373,047</u>	<u>16,210</u>	<u>-</u>	<u>1,538,175</u>	<u>13,534,105</u>
Change in Net Assets	<u>\$ 1,983,368</u>	<u>\$ 63,777</u>	<u>\$ 122,447</u>	<u>\$ 330,464</u>	<u>\$ 62,912</u>	<u>\$ (837,615)</u>	<u>\$ 150,000</u>	<u>\$ (108,015)</u>	<u>\$ 1,875,353</u>
<b>NET ASSETS (DEFICIT)</b>									
Without donor restrictions, beginning of year									\$ (717,430)
Change in net assets									<u>(1,392,035)</u>
Without donor restrictions, end of year									<u>(2,109,465)</u>
With donor restrictions, beginning of year									8,714,583
Change in net assets									<u>3,267,388</u>
With donor restrictions, end of year									<u>11,981,971</u>
Total Net Assets, End of Year									<u>\$ 9,872,506</u>

Independent auditors' report