The 19th News

Financial Statements

* * * * *

For the Year Ended
December 31, 2020

Table of Contents

Polito Eppich
CPAs and Business Advisors

Independent Auditors' Report

To the Board of Directors
The 19th News
Austin, Texas

We have audited the accompanying financial statements of The 19th News (a nonprofit organization) which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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 error or fraud.

Auditors’ Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 error or fraud. 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 The 19th News as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Polito Eppich Associates LLP

November 30, 2021
San Marcos, California

The 19th News
Statement of Financial Position
December 31, 2020

Assets		
Current Assets		
Cash and cash equivalents	$	7,761,465
Accounts receivable		96,323
Promises to give		2,008,833
Prepaid expenses		57,404
Short-term investments		99,221
Total Current Assets		10,023,246
Promises to Give, Net		2,439,819
Property and Equipment, Net		219,936
Total Assets	$	12,683,001
Liabilities and Net Assets		
Liabilities		
Accounts payable	$	12,297
Accrued liabilities		60,965
Deferred revenue		5,000
Paycheck Protection Program loan		93,345
Total Liabilities		171,607
Net Assets		
Without donor restrictions		7,780,127
With donor restrictions		4,731,267
Total Net Assets		12,511,394
Total Liabilities and Net Assets	$	12,683,001

See accompanying notes and independent auditors' report.

The 19th News
Statement of Activities
For the Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support			
Contributions: grant income and major gifts	$ 3,762,684	$ 5,658,000	$ 9,420,684
Sponsorships and events	774,000	0	774,000
Membership contributions	662,757	0	662,757
Investment income	24,483	0	24,483
	5,223,924	5,658,000	10,881,924
Net Assets Released from Restriction	2,561,733	(2,561,733)	0
Total Revenue and Support	7,785,657	3,096,267	10,881,924
Expenses			
Program services	1,996,284	0	1,996,284
Support services:			
Management and general	461,680	0	461,680
Fundraising	620,949	0	620,949
Total Expenses	3,078,913	0	3,078,913
Change in Net Assets	4,706,744	3,096,267	7,803,011
Net Assets at Beginning of Year	3,073,383	1,635,000	4,708,383
Net Assets at End of Year	$ 7,780,127	$ 4,731,267	$ 12,511,394

See accompanying notes and independent auditors' report.

The 19th News
Statement of Functional Expenses
For the Year Ended December 31, 2020

		Supporting Services		
	Program Services	Management and General	Fundraising	Total
Personnel expenses	$ 1,440,887	$ 321,697	$ 434,099	$ 2,196,683
Event expenses	157,586	0	53	157,639
Information technology	110,912	10,878	15,072	136,862
Marketing and advertising	125,031	0	712	125,743
Professional fundraising services	0	0	110,203	110,203
Contract services	81,229	0	0	81,229
Bank service and platform charges	0	3,445	52,577	56,022
Occupancy expenses	0	46,737	0	46,737
Depreciation	36,993	0	0	36,993
Accounting services	0	30,417	0	30,417
Travel and meals	19,779	235	6,954	26,968
Legal services	0	24,747	0	24,747
Office expenses	14,682	4,872	1,694	21,248
Insurance	0	15,291	0	15,291
Miscellaneous expense	9,185	3,361	(415)	12,131
Total Expenses	$ 1,996,284	$ 461,680	$ 620,949	$ 3,078,913

See accompanying notes and independent auditors' report.

The 19th News
Statement of Cash Flows
For the Year Ended December 31, 2020

Cash Flows from Operating Activities	
Increase in net assets	$ 7,803,011
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	36,993
Discount on long-term contributions	53,515
Donated securities	(54,713)
Net investment loss	5,492
Change in operating assets and liabilities:	
Accounts receivable	(96,323)
Promises to give, net	(4,014,261)
Prepaid expenses	(55,404)
Accounts payable	12,297
Accrued liabilities	49,553
Deferred revenue	5,000
Net Cash Provided by Operating Activities	3,745,160
Cash Flow from Investing Activities:	
Purchase of property and equipment	(256,929)
Assets transferred to investments	(50,000)
Net Cash Used in Investing Activities	(306,929)
Cash Flow from Financing Activities	
Proceeds from Paycheck Protection loan	93,345
Net Cash Provided by Financing Activities	93,345
Net Increase in Cash and Cash Equivalents	3,531,576
Cash and Cash Equivalents, Beginning of Year	4,229,889
Cash and Cash Equivalents, Ending of Year	$ 7,761,465

See accompanying notes and independent auditors' report.

Note 1: Nature of Organization

The 19th News (the "Organization") was incorporated on August 1, 2019 as a nonprofit, nonpartisan news organization at the intersection of gender, politics and policy. The Organization's mission is to empower women, specifically women of color and women of all political persuasions, with the news, information and community they need to be more deeply engaged in our democracy. The Organization provides news via its own website www.19thnews.org, or via a daily or weekly email newsletter to its subscribers.

The Organization is focused on building an audience and supporting its members by providing:

- Free-to-consume and free-to-republish journalism that reimagines politics and policy coverage through a gender lens.
- Deep-dive, evidence-based reporting that exposes gender inequity and injustice, and reveals surprising and original stories on the issues that most deeply affect women's lives, from health care to the economy.
- A digital platform for civil conversations and community building, and national events that bring our readers into direct contact with their elected officials.
- A newsroom that reflects the racial, ideological, socioeconomic and gender diversity of American voters, and is devoted to covering everyone with empathy.

Note 2: Significant Accounting Policies

New FASB Accounting Standards Adopted: On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The amendment in this update clarifies and improves current guidance about whether a transfer of assets (or reduction, settlement or cancellation of liabilities) is a contribution or an exchange transaction. The Organization adopted this update in ASC 958 on January 1, 2020. There was no material impact on the Organization's financial position, results of operations or cash flows upon adoption of the update.

In May 2014, FASB issued ASU No. 2014-09 *Revenue from Contracts with Customers* (Topic 606), which supersedes the revenue recognition requirements in Topic 605. ASU 2014-09 provides that each transaction with a customer be viewed as a contract with one or more performance obligations. When applying this principle, management quantifies the portion of revenue in the contract applicable to each performance obligation. The Organization adopted this update on January 1, 2020. The adoption of ASC 606 did not materially impact the Organization's financial position, results of operations or cashflows upon adoption of the new standard.

Financial Statement Presentation: Financial statement presentation follows the recommendations of generally accepted accounting principles (GAAP) for nonprofit organizations. The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restriction and net assets with donor restrictions, based on the following criteria:

Note 2: Significant Accounting Policies (Continued)

Net assets without donor restrictions represent net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of Organization's management and board of directors.

Net assets with donor restrictions consist of contributed funds subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

When a restriction is met or expires, net assets are released from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Cash and Cash Equivalents: The Organization considers all highly liquid investments available for current uses with an initial maturity of three months or less to be cash equivalents.

Accounts Receivable: Accounts receivable consist of sponsorships and memberships that arise in the normal course of operations. It is the policy of management to review the outstanding receivables at year end, as well as the bad debt write-offs experienced in the past, and establish an allowance for doubtful accounts for uncollectible amounts. No allowance was considered necessary at December 31, 2020 because management believes that all amounts are collectible.

Promises to Give: Pledge receivables are recorded at the amount the Organization expects to receive from donors, comprised of pledges and grants receivable. Pledge receivable balances include amounts pledged over a period of one to five years. The Organization records a discount to reflect the present value of receivables using approximate market rates applicable to the years in which the pledge is included in contribution revenue.

Pledges or grants expected to be collected in the same fiscal year as the date the unconditional promises were received are recorded as revenue without donor restrictions, unless restricted by donor stipulation for a specific purpose. The Organization determined the allowance for uncollectable promises to give based on an assessment of comparable organizations, and a review of subsequent collections. At December 31, 2020, the allowance was $41,150.

Investments: Investments purchased are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, and less external investments expenses.

Note 2: Significant Accounting Policies (Continued)

Property and Equipment: Acquisitions of property and equipment of $2,500 or more are capitalized. Property and equipment are stated at cost, or if donated, at the approximate fair market value at the date of donation. Expenditures for maintenance and repairs are charged against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets of 2 – 3 years.

Revenue Recognition: The Organization recognizes contributions when cash, securities, other assets, or unconditional promises to give or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The Organization has no conditional promises to give as of December 31, 2020. When an unconditional promise to give spans multiple years, the total amount of the contribution for all years is recognized as revenue on the date of the unconditional promise.

Membership donations are non-refundable therefore, they are considered “contributions” and recognized when cash is received as indicated in FASB ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

Revenue from events is recognized when services are provided. Advertising revenue consists of website and emailed newsletter advertising and is recognized when services are provided. Funds received in advance (for an exchange transaction prior to the performance obligation being satisfied) are recorded as deferred revenue in the statements of financial position. Changes in contract balances are further discussed in Note 7.

Donated Services and Goods: Contributions of services are recorded at their fair value in the period received. Contributions of services create or enhance non-financial assets and typically require specialized skills provided by entities or persons possessing those skills that would need to be purchased if they were not donated. Contributions of tangible assets are recognized at fair value when received. The Organization did not receive any donated services or goods for the year ended December 31, 2020.

Functional Allocation of Expenses: The Organization allocates its expenses on a functional basis among its various programs and support services. Expenditures which can be identified with a specific program or support service are allocated directly, according to their natural expenditure. Costs that are common to several functions are allocated among the program and supporting services on the basis of time and effort and estimates made by the Organization's management.

Note 2: Significant Accounting Policies (Continued)

Expenses that are allocated include the following:

Expense	Method of Allocation
Salaries	Time and effort
Information technology	Management estimate
Marketing and advertising	Management estimate

Advertising: Advertising costs are expensed as incurred. Advertising expense was $125,743 for the year ended December 31, 2020.

Income Taxes: The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except to the extent of any unrelated business income. The Organization did not incur any significant tax liabilities due to unrelated business income during the year ended December 31, 2020.

All tax-exempt entities are subject to review and audit by federal, state and other applicable agencies. Such agencies may review the taxability of unrelated business income or the qualification of the tax-exempt entity under the Internal Revenue Code and applicable state statutes.

Use of Estimates: The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are based on information that is currently available and on various other assumptions that are believed to be reasonable under the circumstances. Actual results could differ from those estimates due to risks and uncertainties, including uncertainty in the current economic environment due to the outbreak of COVID-19.

New FASB Accounting Standards to Be Adopted in the Future: In February 2016, the FASB issued ASU 2016-02 *Leases* (Topic 842), which requires a lessee to recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The new standard is effective for the year ending June 30, 2022 (as extended by ASU 2020-05). The Organization is currently evaluating the effect that implementation of the new standard will have on its financial position, results of operations, and cash flows.

Note 2: Significant Accounting Policies (Continued)

In September 2020, the FASB issued ASU 2020-07 Not-for-Profit Entities (Topic 958) *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires for presentation of contributed nonfinancial assets as a separate line item in the statement of activities and provide additional disclosures about contributions of nonfinancial assets. The new standard is effective for the year ending June 30, 2022. There will be no material impact on the Organization's financial position, results of operations or cash flows upon adoption of the new standard.

Management's Review of Subsequent Events: The Organization has evaluated subsequent events through the November 30, 2021, which is the date the financial statements were available to be issued.

- In August 2021, the Organization entered into a 37-month lease for an office space in Austin, Texas. The lease commenced November 2021 at a monthly base rent of $12,276 with a 3% annual increase.
- On August 18, 2021 the Paycheck Protection Program loan was fully forgiven (see Note 8 of the financial statements).

Management is not aware of any other events that have occurred subsequent to December 31, 2020 that would require adjustment to, or disclosure in these financial statements.

Note 3: Liquidity and Funds Available

The Organization regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. The Organization has a goal to obtain and maintain 24 months of expenses in cash and investments. Further, there is a need to increase journalism coverage to attract more readers, newsletter subscribers and supporters to effectively fulfill the mission. The Organization balances these two objectives to achieve both prudent growth and sustainability/cash reserves. The Organization considers 12 months of current expenses in cash and investments as its minimum acceptable level. The Organization takes steps to minimize capital risk on its excess cash and investments which are held in major money-market funds invested in U.S. Government backed securities.

Financial assets available for general expenditures within one year at December 31, 2020, consist of the following:

Financial assets available for general expenditures within one year:	
Cash and cash equivalents	$ 7,761,465
Accounts receivable, net	96,323
Promises to give, due in one year	2,008,833
Short-term investments	49,221
Less donor restriction	(341,865)
Total financial assets available for general expenditures within one year	$ 9,573,977

Note 4: Promises to Give (Pledges Receivable)

Pledges receivable at December 31, 2020 consist of the following:

Receivable in less than one year	$	2,008,833
Receivable in one to five years		2,493,334
		4,502,167
Less allowance for uncollectible accounts		(41,150)
Less discount to net present value at 3.75%		(12,365)
Pledge receivables, net	$	4,448,652

At December 31, 2020 two donors accounted for 81 percent of total promises to give. Two contributors accounted for approximately 42 percent of total contribution revenue for the year ended December 31, 2020.

Note 5: Investment and Fair Value Disclosures

Generally accepted accounting principles define fair value, establish a framework for measuring fair value and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is 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. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Organization has the ability to access.
- Level 2 inputs (other than quoted prices included within level 1) are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable for the asset or liability and rely on management's own estimates about the assumptions that market participants would use in pricing the asset or liability. (The observable inputs should be developed based on the best information available in the circumstances and may include the Organization's own data.)

Money market mutual funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Marketable securities including publicly traded investments such as domestic and foreign equity, mutual funds and government and corporate obligations that trade on an active exchange are classified within Level 1.

Note 5: Investment and Fair Value Disclosures (Continued)

The following table presents the Organization's Level 1 investments by fair value hierarchy for those assets measured at fair value on a recurring basis as of December 31, 2020. There were no Level 2 nor 3 financial instruments as of December 31, 2020.

Cash equivalents – certificates of deposit	50,000
Equity securities	49,221
	$ 99,221

Note 6: Property and Equipment

Major classes of property and equipment as of December 31, 2020 consist of the following:

	Useful Life	
Software	3 years	$ 248,200
Computer equipment	2 years	8,729
Less: accumulated depreciation		(36,993)
		$ 219,936

Depreciation expense for the year ending December 31, 2020 was $36,993.

Note 7: Contract Balances

The changes in contract-related assets and liabilities for the year ended December 31, 2020 consist of the following:

	Accounts Receivable	Deferred Revenue
Balance at January 1	$ 0	$ 0
Balance at December 31	96,323	5,000
Increase	$ 96,323	$ 5,000

As stated in Note 2, revenue from special events is recognized when events occur. Funds received in advance are recorded as deferred revenue in the statements of financial position.

Note 8: Paycheck Protection Program Loan

In April 2020, the Organization received a loan under the Paycheck Protection Program of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in the amount of $92,700. This loan provided relief and resources to fund payroll and certain other expenses. The loan is guaranteed by the Small Business Administration (SBA) and contains provisions for forgiveness if certain criteria are met. Any portion of the loan that is not forgiven must be paid back within two years and accrues interest at 1% annually. The Organization accrued $645 interest expense as of December 31, 2020. On August 18, 2021 the loan and accrued interest was fully forgiven.

Note 9: Net Assets with Donor Restrictions

Net assets released from donor restrictions upon satisfaction of donor specifications follow:

Passage of time	$	2,008,598
Salaries		286,885
Summit launch event		240,000
Editorial reporting		26,250
Total restrictions released	$	2,561,733

Net assets with donor restriction at December 31, 2020 consist of the following restrictions:

Passage of time	$	4,339,402
Salaries		113,115
Editorial reporting		278,750
Total net assets with donor restrictions	$	4,731,267

Note 10: Operating Leases

On July 31, 2020 the Organization executed a sub-lease assignment thereby renting 2,122 square feet of office space in Austin, Texas with existing leasehold improvements and furniture for an average rent of $9,140 per month from August 1, 2020 to September 30, 2021. Lease expense for the year ending December 31, 2020 was $45,076.

Minimum future annual payment under operating lease for the year ending December 31, 2020 is $74,266.

Note 11: Retirement Plan

Effective February 1, 2020, the Organization established a defined contribution 401(k) retirement plan (the "Plan") for eligible employees. The Plan is an IRS Safe Harbor plan and is administered by a third-party administrator. Substantially all employees who are 21 or older and have worked for at least two months are eligible to participate in the Plan. The Organization makes discretionary employer matching contributions up to 3.5% of the employee's wages. The Organization contributed $45,744 for the year ending December 31, 2020.

Note 12: Concentrations

Credit Risk: The Organization maintains cash balances at institutions insured by the Federal Deposit Insurance Corporation. At times, balances may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Management believes that the Organization is not exposed to any significant credit risk with respect to its cash and cash equivalents.