

THE INTERCEPT MEDIA, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2023



LUTZ AND CARR

CERTIFIED PUBLIC ACCOUNTANTS, LLP

551 FIFTH AVENUE - SUITE 400, NEW YORK, NY 10176

212-697-2299 FAX: 212-949-1768

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Intercept Media, Inc.

Opinion

We have audited the accompanying financial statements of The Intercept Media, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2023 and the related statements of activities, functional expenses and cash flows for the year 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 The Intercept Media, Inc. as of December 31, 2023, 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.

Basis for Opinion

We conducted our audit 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 The Intercept Media, Inc. 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 The Intercept Media, Inc.'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 The Intercept Media, Inc.'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 The Intercept Media, Inc.'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.

A handwritten signature in black ink that reads "Lutz + Carr, LLP". The signature is written in a cursive style with a slight slant to the right.

New York, New York
November 7, 2024

THE INTERCEPT MEDIA, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2023

Assets

| | |
|--|----------------|
| Cash and cash equivalents | \$ 573,233 |
| Contributions receivable - with donor restrictions | 6,327,426 |
| Due from fiscal sponsor | 788,211 |
| Prepaid expenses and other assets | 98,037 |
| Property and equipment, at cost, net of accumulated depreciation | <u>114,583</u> |

| | |
|---------------------|--------------------|
| Total Assets | <u>\$7,901,490</u> |
|---------------------|--------------------|

Liabilities and Net Assets

| | |
|---------------------------------------|-------------------|
| Liabilities | |
| Accounts payable and accrued expenses | <u>\$ 129,502</u> |
| Net Assets | |
| Without Donor Restrictions | 1,360,160 |
| With Donor Restrictions | 6,411,828 |
| Total Net Assets | <u>7,771,988</u> |

| | |
|---|--------------------|
| Total Liabilities and Net Assets | <u>\$7,901,490</u> |
|---|--------------------|

THE INTERCEPT MEDIA, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2023

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---|----------------------------------|-------------------------------|----------------------------|
| Changes in Net Assets | | | |
| Revenue and Support | | | |
| Contributions | \$12,236,239 | \$ 6,510,926 | \$18,747,165 |
| Donated legal services | 90,371 | - | 90,371 |
| Program income | 59,475 | - | 59,475 |
| Interest and dividends | 152,838 | - | 152,838 |
| Other income | 2,145 | - | 2,145 |
| | <u>12,541,068</u> | <u>6,510,926</u> | <u>19,051,994</u> |
| Net assets released from restrictions | | | |
| Satisfaction of time and program restrictions | <u>99,098</u> | <u>(99,098)</u> | <u>-</u> |
| Total Revenue and Support | <u>12,640,166</u> | <u>6,411,828</u> | <u>19,051,994</u> |
| Expenses | | | |
| Program Services | <u>8,204,366</u> | <u>-</u> | <u>8,204,366</u> |
| Supporting Services | | | |
| Management and general | 1,517,729 | - | 1,517,729 |
| Fundraising | <u>1,557,911</u> | <u>-</u> | <u>1,557,911</u> |
| Total Supporting Services | <u>3,075,640</u> | <u>-</u> | <u>3,075,640</u> |
| Total Expenses | <u>11,280,006</u> | <u>-</u> | <u>11,280,006</u> |
| Increase in net assets | 1,360,160 | 6,411,828 | 7,771,988 |
| Net assets, beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Assets, End of Year | <u>\$ 1,360,160</u> | <u>\$ 6,411,828</u> | <u>\$ 7,771,988</u> |

See notes to financial statements.

THE INTERCEPT MEDIA, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2023

| | Supporting Services | | | Total Expenses |
|---|---------------------|------------------------|--------------------|---------------------|
| | Program Services | Management and General | Fundraising | |
| Salaries, payroll taxes and benefits | \$6,782,758 | \$ 744,112 | \$ 957,937 | \$ 8,484,807 |
| Professional fees and contracted services | 704,287 | 371,799 | 237,903 | 1,313,989 |
| Legal | 15,897 | 175,626 | - | 191,523 |
| Licensing and commissions | 105,290 | 649 | - | 105,939 |
| Supplies and other administrative costs | 53,715 | 54,481 | 191,192 | 299,388 |
| Travel | 82,876 | 101,422 | 41,565 | 225,863 |
| Information technology | 206,545 | 41,491 | 87,855 | 335,891 |
| Insurance | 118,820 | 16,952 | 19,827 | 155,599 |
| Communications | 109,126 | 438 | 13,192 | 122,756 |
| Facilities | 1,978 | 8,152 | 1,591 | 11,721 |
| Advertising and marketing | 5,635 | 49 | 3,929 | 9,613 |
| Depreciation | 17,439 | 2,558 | 2,920 | 22,917 |
| Total Expenses | \$8,204,366 | \$ 1,517,729 | \$1,557,911 | \$3,075,640 |
| | | | | \$11,280,006 |

See notes to financial statements.

THE INTERCEPT MEDIA, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2023

Cash Flows From Operating Activities

| | |
|---|----------------|
| Increase in net assets | \$7,771,988 |
| Adjustments to reconcile increase in net assets to net cash provided by operating activities: | |
| Depreciation | 22,917 |
| Increase in: | |
| Contributions receivable | (6,327,426) |
| Due from fiscal sponsor | (788,211) |
| Prepaid expenses and other assets | (98,037) |
| Increase in accounts payable and accrued expenses | 129,502 |
| Net Cash Provided By Operating Activities | <u>710,733</u> |

Cash Flows From Investing Activities

| | |
|---|--------------------------|
| Purchases of property and equipment | <u>(137,500)</u> |
| Net increase in cash and cash equivalents | 573,233 |
| Cash and cash equivalents, beginning of year | <u>-</u> |
| Cash and Cash Equivalents, End of Year | <u>\$ 573,233</u> |

THE INTERCEPT MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies

a - Organization

The Intercept Media, Inc. (the “Organization”) is a news organization incorporated in November 2022, as a not-for-profit corporation in the state of Delaware. Its mission is to educate the public through investigative journalism about social, economic, environmental and political issues.

Since 2014, the Organization’s activities were conducted as program of First Look Institute, Inc. (“FLI”). In February 2023, the Organization entered into a fiscal sponsorship agreement with FLI, whereby FLI agreed to act as the Organization’s fiscal sponsor until the Organization received notification of its tax exempt status from the Internal Revenue Service, which was received in September 2023. FLI continued to receive the majority of the Organization’s revenue after September 2023, which is transferred to the Organization on a monthly basis. Amounts due from FLI as of December 31, 2023 totaled \$789,211.

The Organization also entered into a grant agreement with FLI dated February 10, 2023, providing for a grant from FLI of \$14.4 million, of which \$8 million was payable on February 10, 2023, with further installments of \$ \$5.2 million due on January 2, 2024, and \$1.2 million due January 2, 2025.

b - Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid debt instruments, purchased with a maturity of three months or less, to be cash equivalents.

c - Contributions and Contributions Receivable

Contributions received are recorded as support without donor restrictions or support with donor restrictions depending on the existence and/or nature of any donor restrictions. Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. Conditional promises to give, that have a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

Donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

The Organization uses the allowance method to determine uncollectible promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made.

THE INTERCEPT MEDIA, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****d - Property and Equipment**

Purchased property and equipment are recorded at cost and are being depreciated using the straight-line method over the estimated useful life of the asset.

e - Revenue Recognition

The Organization has program and other earned revenue which are accounted for as exchange transactions, consisting of fees received under agreements for certain projects. Revenue received pursuant to these agreements is recognized when articles are published or other project deliverables are completed.

f - Financial Statement Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

Net Assets Without Donor Restrictions

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 the Organization's management and Board of Directors.

Net Assets With Donor Restrictions

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

g - Functional Allocation of Expenses

The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Expenses are allocated directly to programs, where applicable, on a reasonable and consistent basis. A substantial portion of the Organization's expenses are directly related to program activities. Certain other expenses are attributable to more than one program or supporting function and require allocation. Shared personnel costs are allocated on how they spend their time across Programs, Fundraising and Programs. Shared services such as IT, insurance and depreciation are allocated on average employee headcount.

THE INTERCEPT MEDIA, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2023****Note 1 - Organization and Summary of Significant Accounting Policies (continued)****h - Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

i - Tax Status

The Organization is a not-for-profit corporation exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization which is not a private foundation.

j - Subsequent Events

The Organization has evaluated subsequent events through November 7, 2024, the date that the financial statements are considered available to be issued.

Note 2 - Information Regarding Liquidity and Availability

The Organization operates with a balanced budget for each fiscal year based on the revenues expected to be available to fund anticipated expenses. A substantial portion of annual revenue is comprised of contribution revenue raised during the current year, and revenue from other sources earned during the year. The Organization considers general expenditures to consist of all expenses related to its ongoing program activities, and the expenses related to general and administrative and fundraising activities undertaken to support those services.

The Organization regularly monitors liquidity to meet its operating needs and other commitments and obligations, while seeking to maximize the investment of its available funds. Management prepares regular cash flow projections to determine liquidity needs and has a policy to maintain liquid financial assets on an ongoing basis to cover ninety days of general expenditures.

THE INTERCEPT MEDIA, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023

Note 2 - Information Regarding Liquidity and Availability (continued)

The Organization's financial assets as of December 31, 2023 available to meet cash needs for general expenditures within one year are summarized as follows:

| | |
|--|---------------------|
| Financial Assets at Year End: | |
| Cash and cash equivalents | \$ 573,233 |
| Contributions receivable | 6,327,426 |
| Due from fiscal sponsor | <u>788,211</u> |
| | |
| Total Financial Assets | 7,688,870 |
| Less: Amounts not Available to be Used within One Year: | |
| Net assets with donor restrictions, subject to expenditure for specific purposes or passage of time | (6,411,828) |
| Plus: Net assets with donor restrictions expected to be met in less than one year | <u>5,317,735</u> |
| | |
| Financial Assets Available to Meet General Expenditures within One Year | <u>\$ 6,594,777</u> |

Note 3 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted as follows:

| | |
|---------------------------------|--------------------|
| General operations - 2024 | \$5,200,000 |
| General operations - 2025 | 1,102,426 |
| Specified programs and projects | <u>109,402</u> |
| | <u>\$6,411,828</u> |

Note 4 - Contributions Receivable

Contributions receivable as of December 31, 2023 are due as follows:

| | |
|---------------------------------|--------------------|
| Due within one year | \$5,225,000 |
| Due in one to three years | <u>1,200,000</u> |
| | 6,425,000 |
| Less: Discount to present value | <u>(97,574)</u> |
| | <u>\$6,327,426</u> |

THE INTERCEPT MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 4 - Contributions Receivable (continued)

Contributions receivable, which are due after one year, are discounted to net present value using a 4.5% discount rate. Uncollectible contributions receivable are expected to be insignificant.

Note 5 - Property and Equipment

Property and equipment at December 31, 2023 consists of the following:

| | <u>Life</u> | <u>Amount</u> |
|--------------------------------|-------------|------------------|
| Website | 3 years | \$137,500 |
| Less: Accumulated amortization | | <u>(22,917)</u> |
| Total | | <u>\$114,583</u> |

Note 6 - Concentrations

- a - The Organization maintains its cash and cash equivalents balances in two financial institutions. Balances, at times, may exceed federally insured limits.
- b - The Organization received approximately 77% of its total revenue and support from one donor, the Organization's fiscal sponsor, for the year ended December 31, 2023.

Substantially all of contributions receivable was due from one donor.

Note 7 - Donated Services

For the year ended December 31, 2023, the Organization received donated legal services of \$84,424 and donated travel costs of \$5,947, in connection with its administrative supporting services. The value of the donated services were provided by the donors, who estimated fair value based on current market rates for similar services, and based on the actual travel expenses incurred, respectively.

THE INTERCEPT MEDIA, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Note 8 - Commitments

- a - The Organization participates in a multi-employer 401(k) plan that covers all eligible employees, and provides for an employer matching contribution of up to 4% of an employee's salary. Plan expense was \$177,234 for the year ended December 31, 2023.
- b - The Organization's writers, reporters, editorial, production and other newsroom staff, representing approximately 40% of its employees, are covered under a collective bargaining agreement. The agreement provides for specified annual increases in compensation, benefits including participation in the Organization's health insurance and retirement plans, and requires minimum severance payments based on years of service, not less than eleven or twelve weeks' pay depending on the reason for termination. The term of the current agreement expires June 30, 2025.