FINANCIAL STATEMENTS

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-INDEPENDENT AUDITOR’S REPORT-

The Board of Directors  
Online Journalism Project, Incorporated  
New Haven, Connecticut

I have audited the accompanying statement of financial position of Online Journalism Project, Incorporated (a nonprofit organization) as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Online Journalism Project, Incorporated as of December 31, 2012 and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Milford, Connecticut  
March 25, 2013

[Signature]

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Online Journalism Project, Incorporated  
Statement of Financial Position  
December 31, 2012

ASSETS

Current Assets

Cash and Cash Equivalents $ 250,875
Grants Receivable 256,250
Other Receivables 3,405
Prepaid Expenses 24,897

Total Current Assets $535,427

Property and Equipment

Office Equipment $13,573
Website 4,100
17,673
Less: Accumulated Depreciation and Amortization 13,905

Net Property and Equipment 3,768

Total Assets $539,195

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable $ 4,400
Deferred Revenue 275,782

Total Current Liabilities $280,182

NET ASSETS

Unrestricted Net Assets 235,269
Temporarily Restricted Net Assets 23,744

Total Net Assets 259,013

Total Liabilities and Net Assets $539,195

-See Auditor’s Report and Notes to the Financial Statements-
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Online Journalism Project, Incorporated
Statement of Activities
Year Ended December 31, 2012

<table>
<thead>
<tr>
<th>Public Support and Revenue:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants</td>
<td>$449,647</td>
<td></td>
<td>$449,647</td>
</tr>
<tr>
<td>Contributions</td>
<td>$94,773</td>
<td>94,773</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>19,128</td>
<td>19,128</td>
<td></td>
</tr>
<tr>
<td>Content</td>
<td>10,715</td>
<td>10,715</td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>283</td>
<td>283</td>
<td></td>
</tr>
<tr>
<td>Net Assets Released from Restrictions</td>
<td>511,590</td>
<td>(511,590)</td>
<td></td>
</tr>
<tr>
<td>Total Public Support and Revenue</td>
<td>636,489</td>
<td>(61,943)</td>
<td>574,546</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenditures:</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Services</td>
<td>578,547</td>
<td></td>
<td>580,857</td>
</tr>
<tr>
<td>Management and General</td>
<td>75,148</td>
<td>72,838</td>
<td></td>
</tr>
<tr>
<td>Fundraising</td>
<td>44,647</td>
<td></td>
<td>44,647</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>698,342</td>
<td></td>
<td>698,342</td>
</tr>
</tbody>
</table>

Decrease in Net Assets        | (61,853)     | (61,943)               | (123,796) |
Net Assets, January 1, 2012   | 297,122      | 85,687                 | 382,809 |

-See Auditor’s Report and Notes to the Financial Statements-
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<table>
<thead>
<tr>
<th></th>
<th>Program Services</th>
<th>Management and General</th>
<th>Fundraising</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$267,875</td>
<td>$53,575</td>
<td>$35,717</td>
<td>$357,167</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>22,416</td>
<td>4,483</td>
<td>2,989</td>
<td>29,888</td>
</tr>
<tr>
<td>Employee Benefits</td>
<td>23,989</td>
<td>4,798</td>
<td>3,199</td>
<td>31,986</td>
</tr>
<tr>
<td>Program Expenses</td>
<td>124,050</td>
<td></td>
<td>124,050</td>
<td></td>
</tr>
<tr>
<td>Freelance Contributors</td>
<td>90,906</td>
<td></td>
<td>90,906</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>684</td>
<td></td>
<td>684</td>
<td></td>
</tr>
<tr>
<td>Bank Service Charge</td>
<td></td>
<td>145</td>
<td>145</td>
<td></td>
</tr>
<tr>
<td>Depreciation and Amortization</td>
<td>2,871</td>
<td>574</td>
<td>383</td>
<td>3,828</td>
</tr>
<tr>
<td>Dues and Subscriptions</td>
<td></td>
<td>150</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>188</td>
<td></td>
<td>188</td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>5,481</td>
<td>1,096</td>
<td>731</td>
<td>7,308</td>
</tr>
<tr>
<td>Office Supplies</td>
<td>1,769</td>
<td>354</td>
<td>236</td>
<td>2,359</td>
</tr>
<tr>
<td>Postage</td>
<td>85</td>
<td>17</td>
<td>11</td>
<td>113</td>
</tr>
<tr>
<td>Professional Fees</td>
<td></td>
<td>7,885</td>
<td>7,885</td>
<td></td>
</tr>
<tr>
<td>Rent</td>
<td>5,888</td>
<td>1,178</td>
<td>785</td>
<td>7,851</td>
</tr>
<tr>
<td>Telephone and Internet</td>
<td>4,467</td>
<td>893</td>
<td>596</td>
<td>5,956</td>
</tr>
<tr>
<td>Travel and Meetings</td>
<td>4,918</td>
<td></td>
<td>4,918</td>
<td></td>
</tr>
<tr>
<td>Website</td>
<td>22,960</td>
<td></td>
<td>22,960</td>
<td></td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$578,547</strong></td>
<td><strong>$75,148</strong></td>
<td><strong>$44,647</strong></td>
<td><strong>$698,342</strong></td>
</tr>
</tbody>
</table>

-See Auditor’s Report and Notes to the Financial Statements-
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Online Journalism Project, Incorporated  
Statement of Cash Flows  
Year Ended December 31, 2012

Cash Flows From (Used In) Operating Activities:

Decrease in Net Assets  ($123,796)

Adjustments to Reconcile Decrease in Net Assets to

Net Cash Used In Operating Activities:

Depreciation and Amortization  3,828

(Increase) Decrease in Grants Receivable  183,750

(Increase) Decrease in Other Receivables  (1,507)

(Increase) Decrease in Prepaid Expenses  3,321

Increase (Decrease) in Accounts Payable  (1,375)

Increase (Decrease) in Deferred Revenue  (219,167)

Net Cash Used in Operating Activities  ($154,946)

Cash Flows From (Used In) Investing Activities:

Purchase of Office Equipment  (3,944)

Net Cash Used in Investing Activities  (3,944)

Net Decrease in Cash and Cash Equivalents  (158,890)

Cash and Cash Equivalents, January 1, 2012  409,765

Cash and Cash Equivalents, December 31, 2012  $250,875

-See Auditor’s Report and Notes to the Financial Statements-
Note 1 – Organization and Nature of Activities

The Online Journalism Project, Incorporated (the Organization) was organized to promote and encourage the development of professional quality, hyperlocal online journalism. The Organization is supported primarily through grants and private contributions.

Note 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting.

Financial Statement Presentation

The Organization adopted Statement of Financial Accounting Standards (SFAS) No. 117, “Financial Statements of Not-for-Profit Organizations”. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. In addition, the Organization is required to present a statement of cash flows. As permitted by the statement, the Organization does not use fund accounting.

Property and Equipment

Fixed assets are stated at cost. Depreciation and amortization of these assets is provided over their estimated useful lives on a straight-line basis.

Income 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.

On January 1, 2009, the Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more likely than not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates.

-See Auditor’s Report-
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Online Journalism Project, Incorporated  
Notes to the Financial Statements  
December 31, 2012

Income Tax Status (continued)

The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in material adverse effects on the Organization’s financial condition, results of operations or cash flows.

Accordingly, the Organization has no recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions as of December 31, 2012.

The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Organization believes it is no longer subject to income tax examinations for years prior to 2009.

The Organization’s policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

Revenue Recognition

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted contributions are reported as an increase in temporarily permanently restricted net assets, depending on the nature of the restriction. When a restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Advertising

Advertising costs are expensed as incurred.

Use of Estimates

The preparation financial statements in conformity with generally accepted accounting principles accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Note 3 – Cash and Cash Equivalents

Cash and cash equivalents include all monies in the bank and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

As of December 31, 2012, cash and cash equivalents are $250,875.

-See Auditor’s Report-

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Online Journalism Project, Incorporated
Notes to the Financial Statements
December 31, 2012

Note 4 – Property and Equipment

The Organization’s policy is to capitalize fixed assets additions costing $500 or greater. Depreciation and amortization expense for the year ended December 31, 2012 is $3,828.

Note 5 – Commitments

Office Space - The Organization rents office space on a month to month basis, with a monthly rent of $400. The total paid for the year ended December 31, 2012 is $4,900.

Office Space - The Organization rents office space on a month to month basis, with a monthly rent of $250. The total paid for the year ended December 31, 2012 is $2,951.

Website Maintenance: The Organization maintains its website on a month to month basis with monthly payments of $750. The total paid for the year ended December 31, 2012 is $9,000.

Note 6 – Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following purposes:

| Specific Grant Programs | $23,744 |
| Total Temporarily Restricted Net Assets | $23,744 |

Net Assets were released from donor restrictions by incurring expenses satisfying the purpose or time restrictions specified by donors. Released net assets for the year ended December 31, 2012 were $511,590.

Note 7 – Related Parties

The Organization’s treasurer, secretary and key employee was paid wages of $64,000 in 2012.

Note 8 – Advertising

Advertising expenses totaled $684 for the year ended December 31, 2012.

Note 9 – Evaluation of Subsequent Events

The Organization has evaluated subsequent events through March 25, 2013, which is the date the financial statements were available to be issued.

-See Auditor’s Report-