

FOUNDATION FOR NATIONAL PROGRESS

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

ARMANINO MCKENNA ^{LLP}
Certified Public Accountants & Consultants



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Foundation for National Progress
San Francisco, California

We have audited the accompanying statements of financial position of the Foundation for National Progress (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.


ARMANINO McKENNA LLP

June 5, 2012



FOUNDATION FOR NATIONAL PROGRESS

Statements of Financial Position

December 31, 2011 and 2010

ASSETS

	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents	\$ 140,532	\$ 471,284
Accounts receivable, net	813,650	674,093
Contributions receivable	138,377	45,175
Prepaid expenses	260,616	124,570
Total current assets	<u>1,353,175</u>	<u>1,315,122</u>
Property, plant and equipment, net	148,539	65,529
Other assets	<u>38,710</u>	<u>38,710</u>
 Total assets	 <u>\$ 1,540,424</u>	 <u>\$ 1,419,361</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities		
Line of credit	\$ 200,000	\$ 200,000
Accounts payable	949,631	506,191
Accrued expenses	461,204	417,797
Current portion of notes payable	30,514	55,170
Current portion of deferred subscription revenue	1,006,316	1,002,574
Total current liabilities	<u>2,647,665</u>	<u>2,181,732</u>
Notes payable, less current portion	8,068	38,668
Deferred rent	108,375	49,675
Deferred subscription revenue, less current portion	<u>323,184</u>	<u>338,330</u>
 Total liabilities	 <u>3,087,292</u>	 <u>2,608,405</u>
Net assets (deficit)		
Unrestricted	(2,018,932)	(1,728,113)
Temporarily restricted	472,064	539,069
Net assets (deficit)	<u>(1,546,868)</u>	<u>(1,189,044)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 1,540,424</u>	 <u>\$ 1,419,361</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year Ended December 31, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 3,373,476	\$ 1,097,032	\$ 4,470,508
Membership	3,307,282	-	3,307,282
Single issue sales	400,548	-	400,548
List rentals	303,330	-	303,330
Royalties	21,533	-	21,533
Advertising	1,282,630	-	1,282,630
Acme	46,545	-	46,545
Other	101,641	-	101,641
Net assets released from restrictions	<u>1,164,037</u>	<u>(1,164,037)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>10,001,022</u>	<u>(67,005)</u>	<u>9,934,017</u>
Expenses			
Program activities			
Membership	2,409,936	-	2,409,936
Public affairs	171,467	-	171,467
Research and editorial	4,042,421	-	4,042,421
Manufacturing and Distribution-MotherJones	916,502	-	916,502
Digital-MotherJones	652,501	-	652,501
Sponsored projects	<u>552,061</u>	<u>-</u>	<u>552,061</u>
Total program activities	<u>8,744,888</u>	<u>-</u>	<u>8,744,888</u>
Supporting services			
Acme	52,320	-	52,320
Development	719,441	-	719,441
Advertising sales	597,021	-	597,021
General and administrative	<u>178,171</u>	<u>-</u>	<u>178,171</u>
Total supporting services	<u>1,546,953</u>	<u>-</u>	<u>1,546,953</u>
Total expenses	<u>10,291,841</u>	<u>-</u>	<u>10,291,841</u>
Change in net assets	(290,819)	(67,005)	(357,824)
Beginning net assets (deficit)	<u>(1,728,113)</u>	<u>539,069</u>	<u>(1,189,044)</u>
Ending net assets (deficit)	<u>\$ (2,018,932)</u>	<u>\$ 472,064</u>	<u>\$ (1,546,868)</u>

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year Ended December 31, 2010

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 3,490,936	\$ 1,263,999	\$ 4,754,935
Membership	3,335,738	-	3,335,738
Single issue sales	416,011	-	416,011
List rentals	281,209	-	281,209
Royalties	22,991	-	22,991
Advertising	878,027	-	878,027
Other	107,904	-	107,904
Net assets released from restrictions	1,312,838	(1,312,838)	-
Total support, revenue and reclassifications	9,845,654	(48,839)	9,796,815
Expenses			
Program activities			
Membership	2,278,847	-	2,278,847
Public affairs	98,297	-	98,297
Research and editorial	3,522,339	-	3,522,339
Manufacturing and Distribution-MotherJones	953,397	-	953,397
Digital-MotherJones	516,001	-	516,001
The media consortium	329,171	-	329,171
Total program activities	7,698,052	-	7,698,052
Supporting services			
Development	658,423	-	658,423
Advertising sales	524,904	-	524,904
General and administrative	286,984	-	286,984
Total supporting services	1,470,311	-	1,470,311
Total expenses	9,168,363	-	9,168,363
Change in net assets	677,291	(48,839)	628,452
Beginning net assets (deficit)	(2,405,404)	587,908	(1,817,496)
Ending net assets (deficit)	\$ (1,728,113)	\$ 539,069	\$ (1,189,044)

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
Statement of Functional Expenses
For the Year Ended December 31, 2011

	Program Activities						Supporting Services				Total
	Membership	Public Affairs	Research and Editorial	Manufacturing and Distribution Mother Jones	Digital - MotherJones.com	The Media Consortium	Acme	Development	Advertising Sales	General and Administrative	
Salaries and related expenses	\$ 424,919	\$ 101,326	\$ 2,825,286	\$ 114,004	\$ 463,388	\$ 130,984	\$ 44,414	\$ 494,778	\$ 304,362	\$ 91,129	\$ 4,994,590
Total salaries and related expenses	424,919	101,326	2,825,286	114,004	463,388	130,984	44,414	494,778	304,362	91,129	4,994,590
Advertising	-	-	15,575	-	-	-	-	-	673	-	16,248
Bad debts	-	-	-	-	-	-	-	-	(4,501)	-	(4,501)
Bank charges	40,176	-	192	131	678	62	218	2,277	602	3,316	47,652
Conferences/seminars/dues	121	2,973	29,903	974	1,168	3,835	95	2,578	6,743	1,452	49,842
Commissions	-	-	-	-	-	-	-	-	136,983	-	136,983
Consultants	140,784	13,131	2,497	340	14,267	277,407	1,942	3,321	998	4,194	458,881
Donor/membership communications	621,063	-	-	-	-	-	-	123,292	-	-	744,355
Books and subscriptions	-	-	428	72	1	-	-	145	-	2	648
Equipment rental	1,733	745	21,892	933	2,538	-	120	2,062	1,909	1,833	33,765
Fulfillment	238,728	-	-	9,930	-	-	-	-	-	-	248,658
Insurance	393	158	4,450	-	-	-	53	-	-	811	5,865
Interest	335	135	3,394	91	468	-	45	374	377	691	5,910
Interns	-	16,195	156,613	-	-	1,666	-	-	-	-	174,474
Legal fees	9,121	249	63,788	-	862	-	83	689	695	1,440	76,927
Lettershop	129,971	-	-	-	-	-	-	-	-	-	129,971
Manuscripts	-	-	273,480	-	-	-	-	-	-	-	273,480
Merge/purge	125,333	-	-	-	-	-	-	-	-	-	125,333
Newsstand	92,477	-	-	-	-	-	-	-	-	-	92,477
Other	13,990	1,159	17,956	311	5,951	33,535	26	2,173	1,298	183	76,582
Paper	-	-	-	215,735	-	-	-	-	-	-	215,735
Postage and freight	-	9,643	35,015	3,004	1,044	63	0	-	3,590	1,541	53,900
Postage and freight - issues	-	-	-	355,818	-	163	101	-	-	-	356,082
Preparation	-	-	-	16,637	-	-	-	-	-	-	16,637
Printing and copying	430,661	123	165	186,598	-	-	-	520	2,071	30	620,168
Printing and copying - issues	125	-	-	-	20	-	2	-	-	-	147
Production	-	-	-	4	-	-	-	-	-	-	4
Promotions/events	-	284	11,180	-	-	50,532	-	-	46,155	547	108,698
Taxes	218	88	2,213	59	305	-	30	243	246	451	3,853
Rent	32,971	9,948	327,367	6,953	36,178	6,563	3,739	27,573	27,840	47,855	526,987
Repairs and maintenance	33	28	452	19	98	-	-	-	49	7,880	8,559
Research and reports	-	3,395	3,697	-	-	-	-	60	30,112	-	37,264
Software licensing	9,203	547	7,423	99	67,414	99	49	4,722	411	752	90,719
Supplies	2,275	905	25,148	1,520	4,791	1,227	261	7,060	3,890	4,637	51,714
Telephone and on-line services	82,856	823	49,972	555	3,498	3,447	405	10,438	8,673	2,804	163,471
Travel/entertainment	10,592	8,030	138,946	1,654	3,359	41,778	419	33,814	21,106	6,623	266,321
Website Hosting	-	-	-	-	40,985	-	-	-	-	-	40,985
Program	-	-	-	-	-	700	-	-	-	-	700
Depreciation and amortization	1,858	1,582	25,389	1,061	5,488	-	318	3,322	2,739	-	41,757
Total expenses	\$ 2,409,936	\$ 171,467	\$ 4,042,421	\$ 916,502	\$ 652,501	\$ 552,061	\$ 52,320	\$ 719,441	\$ 597,021	\$ 178,171	\$ 10,291,841

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
Statement of Functional Expenses
For the Year Ended December 31, 2010

	Program Activities						Supporting Services			Total
	Membership	Public Affairs	Research and Editorial	Manufacturing and Distribution and Mother Jones	Digital - MotherJones.com	The Media Consortium	Development	Advertising Sales	General and Administrative	
Salaries and related expenses	\$ 374,679	\$ 55,252	\$ 2,387,018	\$ 107,377	\$ 372,229	\$ 157,979	\$ 478,837	\$ 272,245	\$ 154,293	\$ 4,359,909
Total salaries and related expenses	374,679	55,252	2,387,018	107,377	372,229	157,979	478,837	272,245	154,293	4,359,909
Advertising	2,400	-	7,125	-	11,107	-	-	356	-	20,988
Bad debts (recoveries)	-	-	-	-	-	-	-	35,695	-	35,695
Bank charges	27,756	-	219	138	413	77	2,417	413	5,034	36,467
Conferences/seminars/dues	-	179	7,429	1,817	667	3,755	833	4,537	963	20,180
Commissions	-	-	-	-	-	-	-	69,633	-	69,633
Consultants	178,950	2,374	3,143	3,765	16,076	85,524	1,803	822	2,669	295,126
Donor/membership communications	703,799	-	-	-	-	-	87,760	-	-	791,559
Books and subscriptions	-	-	127	-	-	-	-	-	23	313
Equipment rental	1,822	586	23,607	602	2,192	-	2,222	2,155	2,572	35,758
Fulfillment	223,253	-	-	7,994	-	-	-	-	-	231,247
Insurance	200	100	2,298	-	-	8,814	-	-	899	12,311
Interest	505	253	5,810	253	758	-	758	758	2,779	11,874
Interns	-	12,529	166,708	-	424	-	(1)	(1)	(3)	179,656
Legal fees	6,944	251	21,365	-	752	25	752	752	2,506	33,347
Lettershop	146,344	-	-	-	-	-	-	-	-	146,344
Manuscripts	-	-	374,528	-	-	-	-	-	-	374,528
Merge/purge	135,400	-	-	-	-	-	-	-	-	135,400
Newsstand	71,276	-	-	-	-	-	-	-	-	71,276
Other	5,444	746	14,554	423	3,571	14,290	3,453	1,095	168	43,744
Paper	-	-	-	243,231	-	-	-	-	-	243,231
Postage and freight	-	7,033	26,321	1,857	768	193	-	6,765	2,071	45,008
Postage and freight - issues	-	-	-	340,842	-	-	-	-	-	340,842
Preparation	-	-	-	32,849	-	-	-	-	-	32,849
Printing and copying	318,608	599	661	197,949	-	-	1,550	846	89	520,302
Printing and copying - issues	-	-	-	-	30	-	-	-	-	30
Production	-	-	-	10	-	-	-	-	-	10
Promotions/events	-	-	10,058	-	-	-	-	18,573	901	29,532
Taxes	159	80	1,830	80	239	-	239	239	875	3,741
Rent	24,318	9,321	289,183	9,598	28,066	2,975	28,242	27,964	82,330	501,997
Repairs and maintenance	1,193	64	1,869	39	-	-	-	134	377	3,676
Research and reports	-	44	2,424	-	-	-	-	44,212	-	46,680
Software licensing	6,640	3,222	6,386	202	46,113	-	605	639	1,814	65,621
Supplies	2,405	2,287	14,677	985	3,698	150	7,632	4,527	6,239	42,600
Telephone and on-line services	41,452	820	48,602	746	2,082	286	8,360	8,144	5,300	115,792
Travel/entertainment	2,176	1,260	78,537	1,859	1,824	4,669	29,932	21,667	5,322	147,246
Website Hosting	-	-	-	-	21,087	4,002	-	-	-	25,089
Program	-	-	-	-	-	46,432	-	-	-	46,432
Depreciation and amortization	3,124	1,297	27,860	781	3,905	-	2,866	2,734	9,763	52,330
Total expenses	\$ 2,278,847	\$ 98,297	\$ 3,522,339	\$ 953,397	\$ 516,001	\$ 329,171	\$ 658,423	\$ 524,904	\$ 286,984	\$ 9,168,363

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS
Statements of Cash Flows
For the Years Ended December 31, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ (357,824)	\$ 628,452
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	41,757	52,330
Deferred rent	58,700	(44,581)
Changes in operating assets and liabilities		
Accounts receivable	(139,557)	(246,344)
Contributions receivable	(93,202)	46,000
Prepaid expenses	(136,046)	(1,946)
Other assets	-	(8,625)
Accounts payable	443,440	(29,255)
Accrued expenses	43,407	(79,247)
Deferred subscription revenue	(11,404)	11,028
Net cash (used in) provided by operating activities	(150,729)	327,812
Cash flows from investing activities		
Purchases of property, plant and equipment	(124,767)	(34,713)
Cash flows from financing activities		
Payments on notes payable	(55,256)	(4,078)
Net (decrease) increase in cash and cash equivalents	(330,752)	289,021
Cash and cash equivalents, beginning of year	471,284	182,263
Cash and cash equivalents, end of year	\$ 140,532	\$ 471,284
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	\$ 5,442	\$ 9,215

The accompanying notes are an integral part of these financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2011 and 2010

1. Organization

The Foundation for National Progress (the "Foundation") was organized in 1975 as a nonprofit corporation for charitable, scientific and educational purposes. In furtherance of its objectives, the Foundation accomplishes such objectives by undertaking the following: studies and research concerning problems related to the political and economic progress of American civilization; the relationship between science, technology and social change; the problems of democracy and self-government in the workplace; the relationship among nations, means for promoting peace and reducing causes of war; alternatives to war and peaceful methods for adjusting disputes among nations; the role of law in international affairs; problems of world government; the furtherance of social justice for people of all classes, races and sexual preferences; and related or similar objectives. The Foundation further accomplishes such objectives by facilitating and providing discussions, seminars and publications on all of the above subjects. In all its activities, the Foundation encourages complete independence in the views, outlooks and opinions expressed by all persons participating in its affairs. The Foundation itself does not adopt, sponsor, nor promote any viewpoint or proposal. The results of any studies done under the Foundation's auspices or any of its publications shall be made available to all on a non-discriminatory basis. To achieve its mission, in 1976 the Foundation launched Mother Jones magazine to provide a diverse national audience with investigative journalism and reporting on environmental and social justice concerns, and since the inception of the Mother Jones Internship Program in 1980 the Foundation has provided editorial internships to aspiring journalists providing real-world experience in the essentials of investigative journalism. In 1993, MotherJones.com was created to broaden the reach of the Foundation. With the launch of its website, MotherJones.com in 1993, Mother Jones became the first general-interest magazine on the Internet, and from its inception, has broadened the reach and impact of the Foundation's studies and research.

A significant amount of the Foundation's grants and contributions is an unconditional promise received from a related party (\$1.88 million in 2011 and \$2.17 million in 2010). As the Foundation has experienced recurring losses and negative cash flows, withdrawal of this support would have a significant impact on the financial condition of the Foundation. The related party has the intent and ability to support the Foundation as necessary in 2012.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting. Net assets and changes therein are classified as unrestricted, temporarily restricted or permanently restricted net assets based on the absence or existence and type of donor-imposed restrictions, if any.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Contributions

Contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets. All contributions receivable at December 31, 2011 are expected to be received in the subsequent year.

Donated services and materials

A number of volunteers have made significant contributions of time to the Foundation. The value of this contributed time is not recorded in the accompanying financial statements because it does not meet the requirements for recognition. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills and would otherwise be purchased by the organization.

Donated materials are recorded as contributions based on the estimated fair value at the date the promise is made.

Deferred subscription revenue

Deferred revenue represents unfulfilled subscriptions and deferred advertising revenue at year-end, which are earned as the subscriptions are fulfilled and the advertisements are published.

Cash and cash equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of credit risks

The Foundation established an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of collectibility of outstanding accounts receivable. Receivables are charged against the allowance for doubtful accounts when management believes that collectibility is unlikely. Bad debt recoveries are included in income as realized. Accounts receivable are stated net of an allowance for doubtful accounts of \$41,008 and \$19,460 at December 31, 2011 and 2010, respectively.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Concentrations of credit risks (continued)

The Foundation maintains cash balances at several financial institutions located in San Francisco, CA. Periodically, such balances may be in excess of federally insured limits.

Property, plant and equipment

Property, plant and equipment are stated at cost or at fair value at time of donation if contributed. The Foundation capitalizes all expenditures for property and equipment in excess of \$1,000. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the related assets ranging from three to ten years or, if shorter, the term of the related lease. Repairs and maintenance are charged to expenses as incurred. Upon sale or retirement of depreciable assets, the related cost and accumulated depreciation or amortization are removed from the accounts. Any gain or loss on the sale or retirement is recognized in current operations.

Deferred rent

The Foundation leases building space in San Francisco, California under an operating lease. The lease contains rental increases at various points throughout the lease term. The Foundation recognizes rent expense on a straight-line basis over the lease term. Deferred rent is provided to reflect the differences between rent recorded in the financial statements and actual rent paid according to the lease terms.

Compensated absences

The Foundation accrues a liability for vested vacations to which employees are entitled.

Allocation of functional expenses

The costs of providing the various program services and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the various functions based on estimates of time and direct costs.

Estimates

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

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Income taxes

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is exempt from California franchise tax under California revenue and taxation code 23701(d).

The Foundation has evaluated its current tax positions and has concluded that as of December 31, 2011, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data. The Foundation had no assets or liabilities that required a fair value measurement.

Subsequent events

The Foundation has evaluated subsequent events through June 5, 2012, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2011 and 2010

3. Property, Plant and Equipment

Property, plant and equipment used in operations at December 31, 2011 and 2010 consists of the following:

	<u>2011</u>	<u>2010</u>
Office furniture and equipment	\$605,665	\$528,461
Leasehold improvements	<u>258,838</u>	<u>203,175</u>
	864,503	731,636
Less accumulated depreciation and amortization	<u>(715,964)</u>	<u>(666,107)</u>
Property and equipment, net	<u>\$148,539</u>	<u>\$ 65,529</u>

Depreciation and amortization expense for 2011 and 2010 was \$41,757 and \$52,330, respectively.

4. Line of Credit

The Foundation has a line of credit in the amount of \$200,000 which is payable in full on demand. The loan is secured primarily by accounts receivable, equipment and fixtures and bears interest at the bank's base rate plus 1.0% (4.25% at December 31, 2011). Additionally, it is guaranteed by a member of the Board of Directors. Interest is payable monthly. The agreement also contains certain covenants, which the Foundation was in compliance with at December 31, 2011. The outstanding balance at December 31, 2011 and 2010 was \$200,000.

5. Notes Payable

Through 2009, nine members of the Board of Directors made loans to the Foundation totaling \$212,000. The notes are payable in monthly installments including interest at 4% per annum with all accrued interest and principal due through March 1, 2013. The balances outstanding at December 31, 2011 and 2010 were \$38,582 and \$93,838, respectively. Future minimum annual principal payments due at December 31, 2011 are as follows:

2012	\$30,514
2013	<u>8,068</u>
Total	<u>\$38,582</u>

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6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2011 and 2010 are restricted as follows:

	<u>2011</u>	<u>2010</u>
Purpose of restriction		
Investigative reporting	\$269,501	\$117,416
Human rights reporting	-	-
Environmental reporting	78,902	279,826
Sponsored projects	<u>123,661</u>	<u>141,827</u>
Temporarily restricted net assets	<u>\$472,064</u>	<u>\$539,069</u>

Management believes that sufficient resources will be available to meet these purpose restrictions.

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified or the expiration of time restrictions. The total amount of net assets released from restrictions during 2011 and 2010 was as follows:

	<u>2011</u>	<u>2010</u>
Purpose restriction accomplished		
Investigative reporting	\$ 361,040	\$ 158,361
Human rights reporting	35,000	369,273
MotherJones 2.0/Venture Fund	-	357,202
Environmental reporting	251,874	125,675
Sponsored projects	<u>516,123</u>	<u>302,327</u>
	<u>\$1,164,037</u>	<u>\$1,312,838</u>

7. Employee Benefit Plan

The Foundation's defined contribution plan was amended on January 1, 2008 to be a non-standardized 401K plan. The Foundation made no contributions in 2011 and 2010, respectively.

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8. Commitments and Contingencies

The Foundation leases office space in San Francisco, California. The lease was renewed in March 2010 and runs through February 2020 with monthly rental payments of approximately \$33,000 to \$44,000 over the life of the lease. The Foundation also leases an office location in Washington D.C. through June 2016 with rent payments ranging from \$5,974 to \$6,667. In addition, the Foundation rents a monthly office location in New York for \$2,050 per month. Future minimum annual rental commitments at December 31, 2011 are as follows:

2012	\$ 472,968
2013	475,136
2014	477,366
2015	515,223
2016	526,712
Thereafter	<u>1,670,083</u>
Total	<u>\$4,173,498</u>

Total rental expense was \$526,987 and \$501,997 for the years ended December 31, 2011 and 2010, respectively.

The Foundation is involved in legal actions arising in the normal course of business, including copyright matters. In the opinion of management, such matters will not have a material effect upon the financial position of the Foundation.