

Foundation For National Progress

Financial Statements

December 31, 2012 and 2011

TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows	7
Notes to Financial Statements	8 - 14

INDEPENDENT AUDITOR'S 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, 2012 and 2011 and the related statements of activities, functional expenses and cash flows as of and for the years 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 the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

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 the audits 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 fraud or error. 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 Foundation as of December 31, 2012 and 2011, 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^{LLP}
San Francisco, California

May 10, 2013

FOUNDATION FOR NATIONAL PROGRESS

Statements of Financial Position

December 31, 2012 and 2011

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Current assets		
Cash and cash equivalents	\$ 424,390	\$ 140,532
Accounts receivable, net	946,643	813,650
Contributions receivable	154,760	138,377
Prepaid expenses	143,541	260,616
Total current assets	<u>1,669,334</u>	<u>1,353,175</u>
Property, plant and equipment, net	167,764	148,539
Other assets	<u>42,070</u>	<u>38,710</u>
 Total assets	 <u>\$ 1,879,168</u>	 <u>\$ 1,540,424</u>
<u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
Current liabilities		
Line of credit	\$ -	\$ 200,000
Accounts payable	659,268	949,631
Accrued expenses	578,429	461,204
Current portion of notes payable	7,095	30,514
Current portion of deferred subscription revenue	1,212,311	1,006,316
Total current liabilities	<u>2,457,103</u>	<u>2,647,665</u>
Notes payable, less current portion	-	8,068
Deferred rent	164,204	108,375
Deferred subscription revenue, less current portion	<u>292,633</u>	<u>323,184</u>
 Total liabilities	 <u>2,913,940</u>	 <u>3,087,292</u>
Net assets (deficit)		
Unrestricted	(1,782,268)	(2,018,932)
Temporarily restricted	747,496	472,064
Net assets (deficit)	<u>(1,034,772)</u>	<u>(1,546,868)</u>
 Total liabilities and net assets (deficit)	 <u>\$ 1,879,168</u>	 <u>\$ 1,540,424</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, 2012

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 3,971,074	\$ 1,532,083	\$ 5,503,157
Membership	3,635,466	-	3,635,466
Advertising	1,561,356	-	1,561,356
Single issue sales	384,003	-	384,003
Acme	357,855	-	357,855
List rentals	280,392	-	280,392
Sponsored projects	122,453	-	122,453
Other	77,963	-	77,963
Royalties	18,146	-	18,146
Net assets released from restrictions	<u>1,256,651</u>	<u>(1,256,651)</u>	<u>-</u>
Total support, revenue and reclassifications	<u>11,665,359</u>	<u>275,432</u>	<u>11,940,791</u>
Expenses			
Program activities			
Membership	2,435,533	-	2,435,533
Public affairs	383,148	-	383,148
Research and editorial	4,641,669	-	4,641,669
Manufacturing and Distribution-Print MotherJones	852,200	-	852,200
Digital-MotherJones	858,776	-	858,776
Sponsored projects	<u>241,066</u>	<u>-</u>	<u>241,066</u>
Total program activities	<u>9,412,392</u>	<u>-</u>	<u>9,412,392</u>
Supporting services			
Acme	386,070	-	386,070
Development	768,326	-	768,326
Advertising sales	713,530	-	713,530
General and administrative	<u>148,377</u>	<u>-</u>	<u>148,377</u>
Total supporting services	<u>2,016,303</u>	<u>-</u>	<u>2,016,303</u>
Total expenses	<u>11,428,695</u>	<u>-</u>	<u>11,428,695</u>
Change in net assets	236,664	275,432	512,096
Beginning net assets (deficit)	<u>(2,018,932)</u>	<u>472,064</u>	<u>(1,546,868)</u>
Ending net assets (deficit)	<u>\$ (1,782,268)</u>	<u>\$ 747,496</u>	<u>\$ (1,034,772)</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
Advertising	1,282,630	-	1,282,630
Single issue sales	400,548	-	400,548
List rentals	303,330	-	303,330
Other	101,641	-	101,641
Acme	46,545	-	46,545
Royalties	21,533	-	21,533
Net assets released from restrictions	1,164,037	(1,164,037)	-
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	4,041,886	-	4,041,886
Manufacturing and Distribution-Print MotherJones	921,528	-	921,528
Digital-MotherJones	648,177	-	648,177
The media consortium	552,061	-	552,061
Total program activities	<u>8,745,055</u>	<u>-</u>	<u>8,745,055</u>
Supporting services			
Acme	52,320	-	52,320
Development	719,441	-	719,441
Advertising sales	597,021	-	597,021
General and administrative	178,004	-	178,004
Total supporting services	<u>1,546,786</u>	<u>-</u>	<u>1,546,786</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 Functional Expenses
For the Year Ended December 31, 2012

	Program Activities						Supporting Services				Total
	Membership	Public Affairs	Research and Editorial	Manufacturing and Distribution Print Mother Jones	Digital - MotherJones.com	Sponsored Projects	Acme	Development	Advertising Sales	General and Administrative	
Salaries and related expenses	\$ 448,025	\$ 290,961	\$ 3,213,109	\$ 112,792	\$ 603,258	\$ 54,994	\$ 306,914	\$ 513,877	\$ 366,253	\$ 66,546	\$ 5,976,729
Total salaries and related expenses	448,025	290,961	3,213,109	112,792	603,258	54,994	306,914	513,877	366,253	66,546	5,976,729
Advertising	-	-	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-	35,495	-	35,495
Bank charges	-	-	206	67	406	2,999	313	1,644	55	885	6,575
Conferences/seminars/dues	329	1,776	36,010	654	6,797	265	1,163	3,353	16,759	2,725	69,831
Commissions	-	-	-	-	-	-	-	-	125,689	-	125,689
Consultants	157,357	13,315	-	982	13,970	134,651	42,371	4,863	13,474	9,295	390,278
Donor/membership communications	871,429	-	-	-	-	-	-	151,864	-	-	1,023,293
Books and subscriptions	-	-	-	-	375	-	184	13	-	-	572
Equipment rental	1,466	1,436	20,595	872	2,807	-	707	1,833	1,761	1,287	32,764
Fulfillment	299,267	-	-	8,624	-	-	-	-	-	-	307,891
Hosting	-	-	-	-	-	809	-	-	-	-	809
Interest	260	233	2,835	68	415	-	163	285	319	460	5,038
Fellows	-	18,654	194,316	52	1,777	-	125	113	245	353	215,635
Legal fees	11,961	668	151,331	-	1,190	-	2,599	816	1,724	1,318	171,607
Lettershop	116,825	-	-	-	-	-	-	-	-	-	116,825
Manuscripts/artwork	-	-	314,769	-	-	-	-	-	-	-	314,769
Newsstand	46,343	-	-	-	-	-	-	-	-	-	46,343
Other	8,239	1,151	7,223	779	496	21,034	1,060	210	1,664	140	41,996
Paper	-	-	-	213,298	-	-	-	-	-	-	213,298
Postage and freight	-	5,493	17,867	2,770	935	118	1,632	-	3,809	1,037	33,661
Postage and freight - issues	-	-	-	321,081	-	-	-	-	-	-	321,081
Preparation	-	-	-	16,649	-	-	-	-	-	-	16,649
Printing and copying	416,586	66	976	162,468	-	-	-	1,975	303	130	582,504
Promotions/events	-	505	16,191	-	-	19,520	-	-	68,037	1,585	105,838
Taxes	202	182	2,213	54	324	-	127	222	249	359	3,932
Rent	26,198	23,510	376,238	7,171	43,579	-	15,848	29,092	32,196	42,388	596,220
Repairs and maintenance	24	39	5,147	13	79	-	-	-	29	27	5,358
Research and reports	-	3,360	2,335	-	-	-	-	210	-	-	5,905
Software licensing	4,316	373	8,046	51	88,933	356	1,700	4,455	487	342	109,059
Supplies	4,980	2,428	40,445	776	3,419	30	2,446	5,327	3,400	4,661	67,912
Telephone and on-line services	7,987	4,331	58,380	757	4,218	-	2,563	9,099	12,232	3,584	103,151
Travel/entertainment	11,526	11,039	143,604	1,013	4,500	6,182	4,619	39,075	26,629	3,117	251,304
Website Hosting	-	-	-	-	73,946	-	-	-	-	-	73,946
Program	-	-	-	-	-	108	-	-	-	-	108
Depreciation and amortization	2,213	3,628	29,833	1,209	7,352	-	1,536	-	2,721	8,138	56,630
Total expenses	\$ 2,435,533	\$ 383,148	\$ 4,641,669	\$ 852,200	\$ 858,776	\$ 241,066	\$ 386,070	\$ 768,326	\$ 713,530	\$ 148,377	\$ 11,428,695

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	and Distribution Print Mother Jones	Digital - MotherJones.com	Sponsored Projects	Acme	Development	Advertising Sales	General and Administrative	
Salaries and related expenses	\$ 425,312	\$ 101,484	\$ 2,829,022	\$ 114,243	\$ 463,851	\$ 130,984	\$ 44,467	\$ 494,778	\$ 304,362	\$ 92,487	\$ 5,000,990
Total salaries and related expenses	425,312	101,484	2,829,022	114,243	463,851	130,984	44,467	494,778	304,362	92,487	5,000,990
Advertising	-	-	-	-	-	-	-	-	-	-	-
Bad debts	-	-	-	-	-	-	-	-	(4,501)	-	(4,501)
Bank charges	-	-	192	131	678	62	218	2,277	602	3,316	7,476
Conferences/seminars/dues	121	2,060	29,903	974	1,168	3,835	95	2,578	6,743	1,452	48,929
Commissions	-	-	-	-	-	-	-	-	136,983	-	136,983
Consultants	140,503	14,044	-	340	13,842	277,407	1,725	2,780	483	4,194	455,318
Donor/membership communications	818,482	-	-	-	-	-	-	125,809	-	-	944,291
Books and subscriptions	-	-	-	72	1	-	-	145	-	2	220
Equipment rental	1,733	745	21,892	933	2,538	-	120	2,062	1,909	1,833	33,765
Fulfillment	281,126	-	-	9,930	-	-	-	-	-	-	291,056
Hosting	-	-	-	-	-	2,348	-	-	-	-	2,348
Fellows	335	135	3,394	91	468	-	45	374	377	691	5,910
Interns	-	16,195	156,792	-	-	1,666	-	-	-	-	174,653
Legal fees	12,081	249	80,679	-	862	-	83	689	695	1,273	96,611
Lettershop	129,971	-	-	-	-	-	-	-	-	-	129,971
Manuscripts/artwork	-	-	273,909	-	-	-	-	-	-	-	273,909
Newsstand	90,255	-	-	-	-	-	-	-	-	-	90,255
Other	13,990	659	18,410	760	1,609	33,535	6	197	1,813	66	71,045
Paper	-	-	-	215,735	-	-	-	-	-	-	215,735
Postage and freight	-	9,643	19,537	3,004	1,044	52	101	-	3,590	1,541	38,512
Postage and freight - issues	-	-	-	355,818	-	163	-	-	-	-	355,981
Preparation	-	-	-	16,637	-	-	-	-	-	-	16,637
Printing and copying	438,820	123	165	186,598	-	-	-	520	2,071	30	628,327
Promotions/events	-	784	11,180	-	-	50,532	-	-	76,982	(6,127)	133,351
Taxes	218	88	2,213	59	305	-	30	243	246	451	3,853
Rent	24,702	9,948	327,367	6,953	36,178	6,563	3,739	27,573	27,840	53,982	524,845
Repairs and maintenance	33	28	452	19	98	-	-	-	49	7,880	8,559
Research and reports	-	3,395	4,377	-	-	-	-	60	-	-	7,832
Software licensing	6,184	547	7,423	4,441	67,414	99	266	4,722	411	752	92,259
Supplies	5,294	905	40,626	1,520	4,791	1,238	275	7,060	3,890	4,637	70,236
Telephone and on-line services	8,326	823	50,018	555	3,498	1,099	413	10,438	8,631	2,921	86,722
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	\$ 4,041,886	\$ 921,528	\$ 648,177	\$ 552,061	\$ 52,320	\$ 719,441	\$ 597,021	\$ 178,004	\$ 10,291,841

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, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities		
Change in net assets	\$ 512,096	\$ (357,824)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	60,766	41,757
Deferred rent	55,829	58,700
Changes in operating assets and liabilities		
Accounts receivable	(132,993)	(139,557)
Contributions receivable	(16,383)	(93,202)
Prepaid expenses	117,075	(136,046)
Other assets	(3,360)	-
Accounts payable	(290,363)	443,440
Accrued expenses	117,225	43,407
Deferred subscription revenue	175,444	(11,404)
Net cash provided by (used in) operating activities	<u>595,336</u>	<u>(150,729)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	<u>(79,991)</u>	<u>(124,767)</u>
Cash flows from financing activities		
Payments on notes payable	(31,487)	-
Borrowings from line of credit, net	<u>(200,000)</u>	<u>(55,256)</u>
Net (decrease) increase in cash and cash equivalents	283,858	(330,752)
Cash and cash equivalents, beginning of year	<u>140,532</u>	<u>471,284</u>
Cash and cash equivalents, end of year	<u>\$ 424,390</u>	<u>\$ 140,532</u>
<u>Supplemental disclosures of cash flow information</u>		
Cash paid during the year for interest	<u>\$ 4,833</u>	<u>\$ 5,442</u>

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

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2012 and 2011

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 (\$1.8 million in 2012 and \$1.88 million in 2011). As the Foundation has experienced recurring losses and negative cash flows in previous years, 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 2013.

2. Summary of Significant Accounting PoliciesBasis 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, 2012 and 2011

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, 2012 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 \$49,528 and \$41,008 at December 31, 2012 and 2011, respectively.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2012 and 2011

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, 2012 and 2011

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, 2012, 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 May 10, 2013 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, 2012 and 2011

3. Property, Plant and Equipment

Property, plant and equipment used in operations at December 31, 2012 and 2011 consists of the following:

	<u>2012</u>	<u>2011</u>
Office furniture and equipment	\$679,908	\$605,665
Leasehold improvements	<u>264,586</u>	<u>258,838</u>
	944,494	864,503
Less accumulated depreciation and amortization	<u>(776,730)</u>	<u>(715,964)</u>
Property and equipment, net	<u>\$167,764</u>	<u>\$148,539</u>

Depreciation and amortization expense for 2012 and 2011 was \$60,766 and \$41,757, 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, 2012). Additionally, it is guaranteed by a former member of the board of directors who is also a long time benefactor of the foundation. Interest is payable monthly. The agreement also contains certain covenants, which the Foundation was in compliance with at December 31, 2012. The outstanding balance at December 31, 2012 and 2011 was \$- and \$200,000, respectively.

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, 2012 and 2011 were \$7,095 and \$38,582 respectively. Future minimum annual principal payments due at December 31, 2012 are as follows:

2013	<u>\$7,095</u>
Total	<u>\$7,095</u>

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2012 and 2011

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at December 31, 2012 and 2011 are restricted as follows:

	<u>2012</u>	<u>2011</u>
Purpose of restriction		
Investigative reporting	\$117,987	\$269,501
Food and agriculture reporting	12,500	-
Environmental reporting	375,831	78,902
Sponsored projects	<u>241,178</u>	<u>123,661</u>
Temporarily restricted net assets	<u>\$747,496</u>	<u>\$472,064</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 2012 and 2011 was as follows:

	<u>2012</u>	<u>2011</u>
Purpose restriction accomplished		
Investigative reporting	\$ 538,373	\$ 361,040
Human rights reporting	150,000	35,000
Food and agriculture reporting	97,500	-
Environmental reporting	366,120	251,874
Sponsored projects	<u>104,658</u>	<u>516,123</u>
	<u>\$1,256,651</u>	<u>\$1,164,037</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 2012 and 2011, respectively.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements

December 31, 2012 and 2011

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, 2012 are as follows:

2013	\$ 475,136
2014	477,366
2015	515,223
2016	526,712
2017	522,498
Thereafter	<u>1,147,585</u>
Total	<u>\$3,700,530</u>

Total rental expense was \$516,763 and \$526,987 for 2012 and 2011, 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.