

**Foundation For National Progress**

Financial Statements

For the Six Months Ended June 30, 2013



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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the Foundation for National Progress (the "Foundation") which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the six months then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

The Foundation's 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 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 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 June 30, 2013, and the changes in its net assets and its cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

  
Armanino<sup>LLP</sup>  
San Francisco, California

May 23, 2014

FOUNDATION FOR NATIONAL PROGRESS

Statement of Financial Position

June 30, 2013

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ASSETS

Current assets	
Cash and cash equivalents	\$ 755,101
Accounts receivable, net	884,775
Prepaid expenses	<u>132,545</u>
Total current assets	1,772,421
Property, plant and equipment, net	162,758
Other assets	<u>42,070</u>
Total assets	<u><u>\$ 1,977,249</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

Current liabilities	
Accounts payable	\$ 705,257
Accrued expenses	529,276
Current portion of deferred subscription revenue	<u>1,293,534</u>
Total current liabilities	2,528,067
Deferred rent	192,118
Deferred subscription revenue, less current portion	<u>400,655</u>
Total liabilities	<u>3,120,840</u>
Net assets (deficit)	
Unrestricted	(2,152,018)
Temporarily restricted	<u>1,008,427</u>
Net assets (deficit)	<u>(1,143,591)</u>
Total liabilities and net assets	<u><u>\$ 1,977,249</u></u>

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

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Six Months Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 1,785,632	\$ 1,107,519	\$ 2,893,151
Membership	2,052,795	-	2,052,795
Advertising	757,485	-	757,485
Single issue sales	203,892	-	203,892
Acme	268,811	-	268,811
Sponsored projects	173,517	-	173,517
List rentals	88,117	-	88,117
Other	78,394	-	78,394
Royalties	12,229	-	12,229
Net assets released from restrictions	846,588	(846,588)	-
Total support, revenue and reclassifications	6,267,460	260,931	6,528,391
Expenses			
Program activities			
Membership	1,253,617	-	1,253,617
Public affairs	200,653	-	200,653
Research and editorial	2,509,453	-	2,509,453
Manufacturing and Distribution-Print MotherJones	455,404	-	455,404
Digital-MotherJones	418,299	-	418,299
Sponsored projects	640,057	-	640,057
Total program activities	5,477,483	-	5,477,483
Supporting services			
Acme	278,586	-	278,586
Development	409,191	-	409,191
Advertising sales	399,276	-	399,276
General and administrative	72,674	-	72,674
Total supporting services	1,159,727	-	1,159,727
Total expenses	6,637,210	-	6,637,210
Change in net assets	(369,750)	260,931	(108,819)
Beginning net assets (deficit)	(1,782,268)	747,496	(1,034,772)
Ending net assets (deficit)	\$ (2,152,018)	\$ 1,008,427	\$ (1,143,591)

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

FOUNDATION FOR NATIONAL PROGRESS  
Statement of Functional Expenses  
For the Six Months Ended June 30, 2013

	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	\$ 209,262	\$ 146,129	\$ 1,783,517	\$ 84,217	\$ 278,313	\$ 38,622	\$ 243,705	\$ 297,935	\$ 249,290	\$ 33,440	\$ 3,364,430
Total salaries and related expenses	209,262	146,129	1,783,517	84,217	278,313	38,622	243,705	297,935	249,290	33,440	3,364,430
Bad debts	-	-	-	-	-	-	-	-	8,988	-	8,988
Bank charges	57	50	1,130	22	179	9,378	65	145	209	115	11,350
Conferences/seminars/dues	255	2,271	4,934	(11)	606	638	328	44	2,768	581	12,414
Commissions	-	-	-	-	-	-	-	-	51,213	-	51,213
Consultants	57,441	20,823	21,168	3,898	6,551	201,403	13,303	10,657	7,662	8,292	351,198
Donor/membership communications	522,804	-	-	-	-	-	-	39,178	-	-	561,982
Books and subscriptions	-	-	-	-	2	59	89	134	-	2	286
Equipment rental	583	621	10,306	266	1,494	-	556	1,088	1,033	551	16,498
Fulfillment	142,622	-	-	4,123	-	-	-	-	-	-	146,745
Hosting	-	-	-	-	-	3,012	-	-	-	-	3,012
Interest	2	2	30	1	4	-	2	3	4	4	52
Fellows	-	64	102,691	28	153	-	83	131	159	147	103,456
Legal fees	525	60	26,359	26	141	-	77	121	147	136	27,592
Lettershop	56,428	-	-	-	-	-	-	-	-	-	56,428
Manuscripts/artwork	-	-	172,018	-	-	-	-	-	-	-	172,018
Newsstand	25,339	-	-	-	-	-	-	-	-	-	25,339
Other	1,009	58	10,223	1,486	4	33,969	2,124	627	864	60	50,424
Paper	-	-	-	102,521	-	-	-	-	-	-	102,521
Postage and freight	-	3,498	10,305	558	384	18	619	-	1,806	369	17,557
Postage and freight - issues	-	-	-	178,013	-	26	-	-	-	-	178,039
Preparation	-	-	-	7,745	-	-	-	-	-	-	7,745
Printing and copying	208,315	157	3	65,019	-	-	3	486	1,485	5	275,473
Promotions/events	-	1,599	11,928	78	430	16,183	-	-	22,279	414	52,911
Taxes	80	62	1,024	27	147	-	80	125	153	141	1,839
Rent	11,028	8,532	189,463	4,923	18,936	4,218	10,450	17,307	21,022	19,898	305,777
Repairs and maintenance	-	-	58	-	-	-	-	-	-	-	58
Research and reports	-	201	1,638	-	-	-	-	214	-	-	2,053
Software licensing	1,800	3,479	7,885	34	50,015	6,062	500	3,537	1,567	180	75,059
Supplies	1,709	502	13,421	359	1,984	73	1,139	3,313	2,352	1,906	26,758
Telephone and on-line services	4,440	1,772	36,311	1,212	3,107	61	1,143	6,093	6,167	1,887	62,193
Travel/entertainment	8,665	9,804	87,634	443	2,653	11,877	3,076	26,087	17,720	2,343	170,302
Website Hosting	-	-	-	-	50,902	-	-	-	-	-	50,902
Program	-	-	-	-	-	314,458	-	-	-	-	314,458
Depreciation and amortization	1,253	969	17,407	416	2,294	-	1,244	1,966	2,388	2,203	30,140
Total expenses	<u>\$ 1,253,617</u>	<u>\$ 200,653</u>	<u>\$ 2,509,453</u>	<u>\$ 455,404</u>	<u>\$ 418,299</u>	<u>\$ 640,057</u>	<u>\$ 278,586</u>	<u>\$ 409,191</u>	<u>\$ 399,276</u>	<u>\$ 72,674</u>	<u>\$ 6,637,210</u>

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

FOUNDATION FOR NATIONAL PROGRESS

Statement of Cash Flows

For the Six Months Ended June 30, 2013

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Cash flows from operating activities	
Change in net assets	\$ (108,819)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	30,140
Deferred rent	27,914
Changes in operating assets and liabilities	
Accounts receivable	61,868
Contributions receivable	154,760
Prepaid expenses	10,996
Other assets	-
Accounts payable	45,989
Accrued expenses	(49,153)
Deferred subscription revenue	189,245
Net cash provided by operating activities	<u>362,940</u>
 Cash flows from investing activities	
Purchases of property, plant and equipment	<u>(25,134)</u>
 Cash flows from financing activities	
Payments on notes payable	<u>(7,095)</u>
 Net increase in cash and cash equivalents	330,711
 Cash and cash equivalents, beginning of year	<u>424,390</u>
 Cash and cash equivalents, end of year	<u><u>\$ 755,101</u></u>
 <u>Supplemental disclosures of cash flow information</u>	
Cash paid during the year for interest	<u><u>\$ 52</u></u>

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

# FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements  
Six Months Ended June 30, 2013

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## 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 (\$900,000 in 2013). 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 and on.

## 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. During the current period, the Foundation has changed its year end to June 30 from December 31.



FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements  
Six Months Ended June 30, 2013

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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. There are no outstanding contributions receivable as of June 30, 2013.

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 \$41,152 as of June 30, 2013.

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements  
Six Months Ended June 30, 2013

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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, California. 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  
Six Months Ended June 30, 2013

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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 June 30, 2013, 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 23, 2014 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  
Six Months Ended June 30, 2013

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3. Property, Plant and Equipment

Property, plant and equipment used in operations at the six months ended June 30, 2013 consists of the following:

Office furniture and equipment	\$700,719
Leasehold improvements	<u>268,436</u>
	969,155
Less accumulated depreciation and amortization	<u>(806,397)</u>
Property and equipment, net	<u>\$162,758</u>

Depreciation and amortization expense for the six months ended June 30, 2013 was \$30,140.

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 line of credit secured primarily by accounts receivable, equipment and fixtures and bears interest at the bank's base rate plus 1.0% (4.25% at June 30, 2013). 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 as of June 30, 2013. There was no outstanding balance as of June 30, 2013.

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. There were no balances outstanding as of June 30, 2013.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at the six months ended June 30, 2013 are restricted as follows:

Purpose of restriction	
Investigative reporting	\$ 176,717
Human rights	69,391
Food and agriculture reporting	69,583
Environmental reporting	312,428
Sponsored projects	<u>380,308</u>
Temporarily restricted net assets	<u>\$1,008,427</u>

FOUNDATION FOR NATIONAL PROGRESS

Notes to Financial Statements  
Six Months Ended June 30, 2013

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6. Temporarily Restricted Net Assets (continued)

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 the six months ended June 30, 2013 are as follows:

Purpose restriction accomplished	
Investigative reporting	\$153,413
Human rights reporting	13,888
Food and agriculture reporting	46,250
Environmental reporting	183,404
Sponsored projects	<u>449,633</u>
	<u>\$846,588</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 contributions to the employee benefit plan during the six months ended June 30, 2013 in the amount of \$38,075.

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 as of June 30, 2013 are as follows:

2014	\$ 476,938
2015	507,123
2016	566,713
2017	501,025
2018	529,655
Thereafter	<u>882,758</u>
Total	<u>\$3,464,212</u>

Total rental expense was \$305,777 for the six months ended June 30, 2013.

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.