Foundation for National Progress

Financial Statements

For the Year Ended June 30, 2014
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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, 2014, and the related statements of activities, functional expenses, and cash flows for the year 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 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 for National Progress as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Armanino LLP
San Francisco, California

January 5, 2015
## ASSETS

<table>
<thead>
<tr>
<th>Description</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$1,137,259</td>
</tr>
<tr>
<td>Accounts receivable, net</td>
<td>868,431</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>200,000</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>129,051</td>
</tr>
<tr>
<td>Total current assets</td>
<td>2,334,741</td>
</tr>
<tr>
<td><strong>Property, plant and equipment, net</strong></td>
<td>177,713</td>
</tr>
<tr>
<td><strong>Other assets</strong></td>
<td>54,231</td>
</tr>
<tr>
<td>Total other assets</td>
<td>231,944</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,566,685</td>
</tr>
</tbody>
</table>

## LIABILITIES AND NET ASSETS (DEFICIT)

<table>
<thead>
<tr>
<th>Description</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities</strong></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$714,680</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>1,115,807</td>
</tr>
<tr>
<td>Current portion of deferred subscription revenue</td>
<td>1,187,045</td>
</tr>
<tr>
<td>Total current liabilities</td>
<td>3,017,532</td>
</tr>
<tr>
<td><strong>Deferred rent</strong></td>
<td>247,947</td>
</tr>
<tr>
<td>Deferred subscription revenue, less current portion</td>
<td>388,902</td>
</tr>
<tr>
<td>Total liabilities</td>
<td>3,654,381</td>
</tr>
<tr>
<td><strong>Net assets (deficit)</strong></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>(1,627,976)</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>540,280</td>
</tr>
<tr>
<td>Net assets (deficit)</td>
<td>(1,087,696)</td>
</tr>
<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$2,566,685</td>
</tr>
</tbody>
</table>

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

For the Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Support and revenue</th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants and contributions</td>
<td>$4,162,749</td>
<td>$2,465,055</td>
<td>$6,627,804</td>
</tr>
<tr>
<td>Membership</td>
<td>3,955,730</td>
<td>-</td>
<td>3,955,730</td>
</tr>
<tr>
<td>Advertising</td>
<td>1,949,227</td>
<td>-</td>
<td>1,949,227</td>
</tr>
<tr>
<td>Single issue sales</td>
<td>269,006</td>
<td>-</td>
<td>269,006</td>
</tr>
<tr>
<td>Acme</td>
<td>545,895</td>
<td>-</td>
<td>545,895</td>
</tr>
<tr>
<td>Sponsored projects</td>
<td>154,383</td>
<td>-</td>
<td>154,383</td>
</tr>
<tr>
<td>List rentals</td>
<td>221,669</td>
<td>-</td>
<td>221,669</td>
</tr>
<tr>
<td>Royalties</td>
<td>26,604</td>
<td>-</td>
<td>26,604</td>
</tr>
<tr>
<td>Other</td>
<td>3,001</td>
<td>-</td>
<td>3,001</td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>2,933,202</td>
<td>(2,933,202)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total support, revenue and reclassifications</strong></td>
<td>14,221,466</td>
<td>(468,147)</td>
<td>13,753,319</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Program activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Membership</td>
<td>2,586,625</td>
<td>-</td>
<td>2,586,625</td>
</tr>
<tr>
<td>Public affairs</td>
<td>479,084</td>
<td>-</td>
<td>479,084</td>
</tr>
<tr>
<td>Research and editorial</td>
<td>5,449,989</td>
<td>-</td>
<td>5,449,989</td>
</tr>
<tr>
<td>Manufacturing and distribution-print MotherJones</td>
<td>854,550</td>
<td>-</td>
<td>854,550</td>
</tr>
<tr>
<td>Digital-MotherJones.com</td>
<td>966,751</td>
<td>-</td>
<td>966,751</td>
</tr>
<tr>
<td>Sponsored projects</td>
<td>759,036</td>
<td>-</td>
<td>759,036</td>
</tr>
<tr>
<td><strong>Total program activities</strong></td>
<td>11,096,035</td>
<td>-</td>
<td>11,096,035</td>
</tr>
</tbody>
</table>

| Supporting services                      |              |                       |         |
| Acme                                     | 528,546      | -                     | 528,546 |
| Development                              | 963,458      | -                     | 963,458 |
| Advertising sales                        | 897,555      | -                     | 897,555 |
| General and administrative               | 211,830      | -                     | 211,830 |
| **Total supporting services**            | 2,601,389    | -                     | 2,601,389|

| Total expenses                           | 13,697,424   | -                     | 13,697,424|

| Change in net assets                     | 524,042      | (468,147)             | 55,895  |

| Beginning net assets (deficit)           | (2,152,018)  | 1,008,427             | (1,143,591) |

| Ending net assets (deficit)              | $ (1,627,976) | $ 540,280              | $(1,087,696) |

The accompanying notes are an integral part of these financial statements.
### Statement of Functional Expenses
For the Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Program Activities</th>
<th>Supporting Services</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Membership Affairs</strong></td>
<td><strong>Research and Editorial</strong></td>
</tr>
<tr>
<td>Salaries &amp; related expenses</td>
<td>$506,748</td>
</tr>
<tr>
<td>Bad Debts</td>
<td>-</td>
</tr>
<tr>
<td>Bank charges</td>
<td>$2,634</td>
</tr>
<tr>
<td>Books and subscriptions</td>
<td>50</td>
</tr>
<tr>
<td>Conferences/seminars/dues</td>
<td>1,338</td>
</tr>
<tr>
<td>Commissions</td>
<td>-</td>
</tr>
<tr>
<td>Consultants</td>
<td>128,212</td>
</tr>
<tr>
<td>Equipment Rental</td>
<td>1,046</td>
</tr>
<tr>
<td>Fellowships</td>
<td>-</td>
</tr>
<tr>
<td>Fulfillment</td>
<td>300,169</td>
</tr>
<tr>
<td>Insurance</td>
<td>686</td>
</tr>
<tr>
<td>Legal fees</td>
<td>12,259</td>
</tr>
<tr>
<td>Lettershop</td>
<td>142,002</td>
</tr>
<tr>
<td>Manuscripts/artwork</td>
<td>-</td>
</tr>
<tr>
<td>Newsstand</td>
<td>154,599</td>
</tr>
<tr>
<td>Other (recruitment)</td>
<td>136</td>
</tr>
<tr>
<td>Paper</td>
<td>-</td>
</tr>
<tr>
<td>Postage and freight</td>
<td>12,966</td>
</tr>
<tr>
<td>Postage and freight-issues</td>
<td>-</td>
</tr>
<tr>
<td>Preparation</td>
<td>-</td>
</tr>
<tr>
<td>Printing and copying</td>
<td>372,930</td>
</tr>
<tr>
<td>Promotions/events</td>
<td>83,873</td>
</tr>
<tr>
<td>Rent</td>
<td>25,404</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>14</td>
</tr>
<tr>
<td>Research and reports</td>
<td>-</td>
</tr>
<tr>
<td>Software licensing</td>
<td>8,458</td>
</tr>
<tr>
<td>Supplies</td>
<td>4,620</td>
</tr>
<tr>
<td>Taxes</td>
<td>680</td>
</tr>
<tr>
<td>Telephone and online services</td>
<td>7,852</td>
</tr>
<tr>
<td>Travel and entertainment</td>
<td>6,778</td>
</tr>
<tr>
<td>Website Hosting</td>
<td>-</td>
</tr>
<tr>
<td>Program</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,575</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>$2,586,625</strong></td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of these financial statements.
## Statement of Cash Flows
For the Year Ended June 30, 2014

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in net assets</td>
<td>$55,895</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities</td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>73,300</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities</td>
<td></td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>16,344</td>
</tr>
<tr>
<td>Contributions receivable</td>
<td>(200,000)</td>
</tr>
<tr>
<td>Prepaid expenses</td>
<td>3,494</td>
</tr>
<tr>
<td>Other assets</td>
<td>(12,161)</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>9,423</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>586,531</td>
</tr>
<tr>
<td>Deferred rent</td>
<td>55,829</td>
</tr>
<tr>
<td>Deferred subscription revenue</td>
<td>(118,242)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>470,413</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant and equipment</td>
<td>(88,255)</td>
</tr>
<tr>
<td>Net increase in cash and cash equivalents</td>
<td>382,158</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>755,101</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of year</td>
<td>$1,137,259</td>
</tr>
</tbody>
</table>

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

The Foundation for National Progress (the "Foundation") was organized in 1975 as a nonprofit corporation under section 501(c)(3) of the Internal Revenue Code. The Foundation is dedicated to unbiased sharing of independent views, outlooks and opinions concerning economic, political, social and other issues facing American civilization. Neither the Foundation nor any of its publications adopts, sponsors, or promotes any viewpoint or proposal.

The Foundation further accomplishes its mission by publishing Mother Jones, in print and online, to provide a diverse national audience with investigative journalism and reporting on these issues. MotherJones.com, the first general-interest magazine on the Internet, was created in 1993 to broaden the reach of the Foundation and to further the Foundation's mission.

Additionally, the Foundation sponsors the Ben Bagdikian Fellowship Program, offering editorial fellowships to aspiring journalists, providing real-world experience in the essentials of investigative journalism and thereby furthering the mission of the Foundation.

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 based on the absence or existence and type of donor-imposed restrictions, if any.

Revenue recognition

Grants and contributions

Grants and contributions received are reported as unrestricted, temporarily restricted or permanently restricted, depending upon donor restrictions, if any. 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. 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. An allowance for uncollectible contributions receivable is established based upon management's judgment including such factors as prior collection history, aging statistics of contributions, and the nature of the receivable. Contributions receivable of $200,000 as of June 30, 2014 are current and collectible therefore no allowance for uncollectible amounts or discount has been provided.
2. **Summary of Significant Accounting Policies (continued)**

**Revenue recognition (continued)**

*Advertising*

Advertising revenue consists of print advertising in the Mother Jones magazine, and various types of digital advertising on MotherJones.com and other digital advertising platforms. All advertising income is recognized when the ads are served, under the terms of the advertisers' insertion orders.

*Membership*

Membership revenue consists of paid subscriptions for Mother Jones magazine and donation income from subscribers. Magazine subscription income is recognized in the month the magazine is scheduled for delivery to subscribers. Donation income is recognized when payment is received.

**Revenue concentration**

A significant amount of the Foundation's grants and contributions is received from a related party in the amount of $1,650,000 during the year ended June 30, 2014. 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 2015 and on.

**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 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.
2. Summary of Significant Accounting Policies (continued)

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 risk

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. Management does not believe the Foundation is exposed to any losses on such balances as of June 30, 2014.

Accounts receivable

Accounts receivable consists of amounts due from customers for advertising, membership, list rentals, royalties, single issue sales and subscriptions. The Foundation established an allowance for uncollectible accounts receivable based on historical collection experience and management's evaluation of collectability of outstanding accounts receivable. Receivables are charged against the allowance for doubtful accounts when management believes that collectability is unlikely. Bad debt recoveries are included in income as realized. Accounts receivable are stated net of an allowance for doubtful accounts of $87,377 as of June 30, 2014.

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 and Washington D.C. under operating leases. The leases 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.
2. Summary of Significant Accounting Policies (continued)

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.

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, 2014, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Subsequent events

The Foundation has evaluated subsequent events through January 5, 2015 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.

3. Property, Plant and Equipment

Property, plant and equipment used in operations as of June 30, 2014 consists of the following:

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$212,561</td>
</tr>
<tr>
<td>Computers and equipment</td>
<td>566,865</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>277,984</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>(879,697)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$177,713</td>
</tr>
</tbody>
</table>

Depreciation and amortization expense for the year ended June 30, 2014 was $73,300.
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, 2014). 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, 2014. There was no outstanding balance as of June 30, 2014.

6. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 are restricted as follows:

<table>
<thead>
<tr>
<th>Purpose of restriction</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigative reporting</td>
<td>$200,925</td>
</tr>
<tr>
<td>Human rights</td>
<td>33,279</td>
</tr>
<tr>
<td>Food and agriculture reporting</td>
<td>83,334</td>
</tr>
<tr>
<td>Environmental reporting</td>
<td>192,497</td>
</tr>
<tr>
<td>Sponsored projects</td>
<td>30,245</td>
</tr>
<tr>
<td><strong>Temporarily restricted net assets</strong></td>
<td><strong>$540,280</strong></td>
</tr>
</tbody>
</table>

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 year ended June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Purpose restriction accomplished</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investigative reporting</td>
<td>$635,101</td>
</tr>
<tr>
<td>Human rights reporting</td>
<td>111,112</td>
</tr>
<tr>
<td>Food and agriculture reporting</td>
<td>111,249</td>
</tr>
<tr>
<td>Environmental reporting</td>
<td>673,031</td>
</tr>
<tr>
<td>Sponsored projects</td>
<td>1,402,709</td>
</tr>
<tr>
<td><strong>Total temporarily restricted net assets released</strong></td>
<td><strong>$2,933,202</strong></td>
</tr>
</tbody>
</table>

7. Defined Contribution Retirement Plan

The Foundation's sponsors a defined contribution 401(k) retirement plan. The Foundation made contributions to the plan during the year ended June 30, 2014 in the amount of $178,109.
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 $5,900 to $6,700. In addition, the Foundation rents a monthly office location in New York. Monthly rent expense for this lease ranged from $4,100 to $6,800 during the year ended June 30, 2014. Future minimum annual rental commitments as of June 30, 2014 are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>$507,122</td>
</tr>
<tr>
<td>2016</td>
<td>566,711</td>
</tr>
<tr>
<td>2017</td>
<td>501,024</td>
</tr>
<tr>
<td>2018</td>
<td>501,024</td>
</tr>
<tr>
<td>2019</td>
<td>529,656</td>
</tr>
<tr>
<td>Thereafter</td>
<td>353,104</td>
</tr>
<tr>
<td>Total</td>
<td>$2,958,641</td>
</tr>
</tbody>
</table>

Total rental expense was $620,896 for the year ended June 30, 2014.

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.