Foundation for National Progress

Financial Statements

For the Year Ended June 30, 2014

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TABLE OF CONTENTS

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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

Armanino[LLP]
San Francisco, California

January 5, 2015

FOUNDATION FOR NATIONAL PROGRESS

Statement of Financial Position

June 30, 2014

ASSETS

	2014
Current assets	
Cash and cash equivalents	$ 1,137,259
Accounts receivable, net	868,431
Contributions receivable	200,000
Prepaid expenses	129,051
Total current assets	2,334,741
Property, plant and equipment, net	177,713
Other assets	54,231
Total other assets	231,944
Total assets	$ 2,566,685

LIABILITIES AND NET ASSETS (DEFICIT)

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

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

FOUNDATION FOR NATIONAL PROGRESS
Statement of Activities
For theYear Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	$ 4,162,749	$ 2,465,055	$ 6,627,804
Membership	3,955,730	-	3,955,730
Advertising	1,949,227	-	1,949,227
Single issue sales	269,006	-	269,006
Acme	545,895	-	545,895
Sponsored projects	154,383	-	154,383
List rentals	221,669	-	221,669
Royalties	26,604	-	26,604
Other	3,001	-	3,001
Net assets released from restrictions	2,933,202	(2,933,202)	-
Total support, revenue and reclassifications	14,221,466	(468,147)	13,753,319
Expenses			
Program activities			
Membership	2,586,625	-	2,586,625
Public affairs	479,084	-	479,084
Research and editorial	5,449,989	-	5,449,989
Manufacturing and distribution-print MotherJones	854,550	-	854,550
Digital-MotherJones.com	966,751	-	966,751
Sponsored projects	759,036	-	759,036
Total program activities	11,096,035	-	11,096,035
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.

FOUNDTATION FOR NATIONAL PROGRESS
Statement of Functional Expenses
For the Year Ended June 30, 2014

	Program Activities						Supporting Services				
	Membership	Public Affairs	Research and Editorial	Manufacturing and distribution print - MotherJones	Digital - MotherJones.com	Sponsored Projects	Acme	Development	Advertising Sales	General & Administrative	Total
Salaries & related expenses	$ 506,748	$ 353,102	$ 4,003,212	$ 132,350	$ 704,530	$ 94,804	$ 468,016	$ 644,101	$ 542,297	$ 92,571	$ 7,541,730
Bad Debts	-	-	-	-	-		-	-	24,124	-	24,124
Bank charges	2,634	256	4,125	90	559	6,272	254	494	629	839	16,152
Books and subscriptions	50	21	1,408	1	7	105	78	104	-	10	1,784
Conferences/seminars/dues	1,338	6,287	21,688	344	2,809	3,777	791	1,862	10,018	2,613	51,528
Commissions	-	-	-	-	-	-	-	-	133,961	-	133,961
Consultants	128,212	64,081	109,542	2,648	13,817	197,199	23,435	29,860	14,503	16,507	599,805
Donor/membership communications	810,496	-	-	-	-	-	-	-	-	-	810,496
Equipment Rental	1,046	1,934	21,173	489	3,051	-	835	3,236	2,697	1,614	36,076
Fellows	-	-	189,918	-	-	-	-	-	-	-	189,918
Fulfillment	300,169	-	-	11,113	-	-	-	-	-	-	311,282
Insurance	686	489	46,268	173	1,067	-	486	846	1,097	1,604	52,715
Legal fees	12,259	766	58,139	271	1,672	2,390	761	1,325	1,718	2,512	81,812
Lettershop	142,002	-	-	-	-	-	-	-	-	-	142,002
Manuscripts/artwork	-	-	245,597	-	-	-	-	-	-	-	245,597
Newsstand	154,599	-	-	19,288	-	-	-	-	-	-	173,887
Other (recruitment)	136	254	2,435	28	254	546	327	325	794	259	5,357
Paper	-	-	-	210,238	-	-	-	-	-	-	210,238
Postage and freight	12,066	7,312	19,121	1,351	966	433	1,190	17,621	4,253	1,390	65,703
Postage and freight-issues	-	-	-	357,313	-	-	-	-	-	-	357,313
Preparation	-	-	-	14,840	-	-	-	-	-	-	14,840
Printing and copying	372,930	12	2,070	93,593	26	3,700	12	4,796	27	39	477,205
Promotions/events	83,873	2,278	12,162	41	255	63,983	116	151,136	14,662	384	328,891
Rent	25,404	18,101	379,563	6,396	39,527	2,583	17,980	31,328	40,620	59,393	620,896
Repairs and maintenance	14	10	385	4	22	-	10	17	22	33	517
Research and reports	-	9	3,295	-	-	-	-	364	49,797	-	53,465
Software licensing	8,458	5,555	10,885	161	60,292	6,604	1,012	11,488	3,581	1,493	109,529
Supplies	4,620	2,024	44,478	775	3,671	8,465	1,859	4,909	5,302	5,358	81,460
Taxes	680	484	7,550	171	1,058	-	481	838	1,087	1,590	13,940
Telephone and online services	7,852	4,051	87,120	962	7,345	4,310	2,930	10,818	12,319	8,889	146,597
Travel and entertainment	6,778	9,510	140,156	1,010	8,043	26,115	5,444	43,578	28,328	6,373	275,336
Website Hosting	-	-	-	-	112,218	-	-	-	-	-	112,218
Program	-	-	-	-	-	337,750	-	-	-	-	337,750
Depreciation and amortization	3,575	2,547	39,700	900	5,563	-	2,530	4,409	5,717	8,359	73,300
Total expenses	$ 2,586,625	$ 479,084	$ 5,449,989	$ 854,550	$ 966,751	$ 759,036	$ 528,546	$ 963,458	$ 897,555	$ 211,830	$ 13,697,424

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

FOUNDATION FOR NATIONAL PROGRESS
Statement of Cash Flows
For the Year Ended June 30, 2014

Cash flows from operating activities	
Change in net assets	$ 55,895
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	73,300
Changes in operating assets and liabilities	
Accounts receivable	16,344
Contributions receivable	(200,000)
Prepaid expenses	3,494
Other assets	(12,161)
Accounts payable	9,423
Accrued expenses	586,531
Deferred rent	55,829
Deferred subscription revenue	(118,242)
Net cash provided by operating activities	470,413
Cash flows from investing activities	
Purchases of property, plant and equipment	(88,255)
Net increase in cash and cash equivalents	382,158
Cash and cash equivalents, beginning of year	755,101
Cash and cash equivalents, end of year	$ 1,137,259

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:

Office furniture and equipment	$ 212,561
Computers and equipment	566,865
Leasehold improvements	277,984
	1,057,410
Less accumulated depreciation and amortization	(879,697)
Property and equipment, net	$ 177,713

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:

Purpose of restriction	
Investigative reporting	$200,925
Human rights	33,279
Food and agriculture reporting	83,334
Environmental reporting	192,497
Sponsored projects	30,245
Temporarily restricted net assets	$540,280

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:

Purpose restriction accomplished	
Investigative reporting	$ 635,101
Human rights reporting	111,112
Food and agriculture reporting	111,249
Environmental reporting	673,031
Sponsored projects	1,402,709
	$2,933,202

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:

2015	$ 507,122
2016	566,711
2017	501,024
2018	501,024
2019	529,656
Thereafter	353,104
Total	$2,958,641

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.