

# **Foundation for National Progress**

Financial Statements

For the Years Ended June 30, 2015 and 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 Foundation for National Progress (the "Foundation") which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years 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 fraud or error.

### **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 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 Foundation for National Progress as of June 30, 2015 and 2014, 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.

A handwritten signature in black ink that reads "Armanino LLP".

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

December 10, 2015

FOUNDATION FOR NATIONAL PROGRESS

Statements of Financial Position

June 30, 2015 and 2014

<u>ASSETS</u>		
	<u>2015</u>	<u>2014</u>
Current assets		
Cash and cash equivalents	\$ 689,121	\$ 1,137,259
Accounts receivable, net	933,897	868,431
Contributions receivable	-	200,000
Prepaid expenses	192,858	129,051
Total current assets	<u>1,815,876</u>	<u>2,334,741</u>
Property, plant and equipment, net	174,156	177,713
Other assets	54,231	54,231
Total other assets	<u>228,387</u>	<u>231,944</u>
 Total assets	 <u>\$ 2,044,263</u>	 <u>\$ 2,566,685</u>
 <u>LIABILITIES AND NET ASSETS (DEFICIT)</u>		
Current liabilities		
Accounts payable	\$ 810,334	\$ 714,680
Accrued expenses	1,232,727	1,115,807
Line of credit	50,000	-
Current portion of deferred subscription revenue	1,513,173	1,187,045
Total current liabilities	<u>3,606,234</u>	<u>3,017,532</u>
Deferred rent	267,988	247,947
Deferred subscription revenue, less current portion	<u>-</u>	<u>388,902</u>
 Total liabilities	 <u>3,874,222</u>	 <u>3,654,381</u>
Net assets (deficit)		
Unrestricted	(2,582,836)	(1,627,976)
Temporarily restricted	752,877	540,280
Net assets (deficit)	<u>(1,829,959)</u>	<u>(1,087,696)</u>
 Total liabilities and net assets	 <u>\$ 2,044,263</u>	 <u>\$ 2,566,685</u>

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

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Grants and contributions	\$ 4,053,762	\$ 2,660,324	\$ 6,714,086
Membership	4,121,684	-	4,121,684
Advertising	1,888,275	-	1,888,275
Single issue sales	250,393	-	250,393
Acme	72,260	-	72,260
Sponsored projects	329,650	-	329,650
List rentals	174,395	-	174,395
Royalties	22,772	-	22,772
Net assets released from restrictions	2,447,727	(2,447,727)	-
Total support, revenue and releases	13,360,918	212,597	13,573,515
Expenses			
Program activities			
Membership	2,510,901	-	2,510,901
Public affairs	427,233	-	427,233
Research and editorial	5,943,644	-	5,943,644
Manufacturing and distribution-print MotherJones	838,200	-	838,200
Digital-MotherJones.com	1,292,363	-	1,292,363
Sponsored projects	694,507	-	694,507
Total program activities	11,706,849	-	11,706,849
Supporting services			
Acme	72,802	-	72,802
Development	1,235,951	-	1,235,951
Advertising sales	1,032,039	-	1,032,039
General and administrative	268,136	-	268,136
Total supporting services	2,608,928	-	2,608,928
Total expenses	14,315,778	-	14,315,778
Change in net assets	(954,860)	212,597	(742,263)
Beginning net assets (deficit)	(1,627,976)	540,280	(1,087,696)
Ending net assets (deficit)	\$ (2,582,836)	\$ 752,877	\$ (1,829,959)

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

FOUNDATION FOR NATIONAL PROGRESS

Statement of Activities

For the Year 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	1,940,725	-	1,940,725
Single issue sales	269,006	-	269,006
Acme	545,895	-	545,895
Sponsored projects	160,833	-	160,833
List rentals	221,669	-	221,669
Royalties	26,604	-	26,604
Other	3,001	-	3,001
Net assets released from restrictions	<u>2,933,202</u>	<u>(2,933,202)</u>	<u>-</u>
Total support, revenue and releases	<u>14,219,414</u>	<u>(468,147)</u>	<u>13,751,267</u>
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	<u>765,486</u>	<u>-</u>	<u>765,486</u>
Total program activities	<u>11,102,485</u>	<u>-</u>	<u>11,102,485</u>
Supporting services			
Acme	528,546	-	528,546
Development	963,458	-	963,458
Advertising sales	889,053	-	889,053
General and administrative	<u>211,830</u>	<u>-</u>	<u>211,830</u>
Total supporting services	<u>2,592,887</u>	<u>-</u>	<u>2,592,887</u>
Total expenses	<u>13,695,372</u>	<u>-</u>	<u>13,695,372</u>
Change in net assets	524,042	(468,147)	55,895
Beginning net assets (deficit)	<u>(2,152,018)</u>	<u>1,008,427</u>	<u>(1,143,591)</u>
Ending net assets (deficit)	<u>\$ (1,627,976)</u>	<u>\$ 540,280</u>	<u>\$ (1,087,696)</u>

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

FOUNDATION FOR NATIONAL PROGRESS  
Statement of Functional Expenses  
For the Year Ended June 30, 2015

	Program Activities						Supporting Services				Total
	Membership	Public Affairs	Research and Editorial	Manufacturing and distribution print - MotherJones	Digital - MotherJones.com	Sponsored Projects	Acme	Development	Advertising Sales	General and Administrative	
Salaries and related expenses	\$ 420,062	\$ 318,762	\$ 3,927,101	\$ 132,023	\$ 966,455	\$ 56,344	\$ 72,000	\$ 709,938	\$ 562,909	\$ 121,120	\$ 7,286,714
Bad debts	-	-	-	-	-	-	-	-	94,102	-	94,102
Bank charges	105,072	708	9,556	212	1,673	1,958	-	1,352	1,784	2,234	124,550
Books and subscriptions	58	155	23,807	281	207	410	-	281	1,804	200	27,204
Conferences/seminars/dues	7,600	4,361	17,519	195	1,533	3,614	-	2,784	15,162	2,046	54,813
Commissions	-	-	-	-	-	-	-	-	148,934	-	148,934
Consultants	179,290	8,090	107,194	4,089	19,677	488,176	200	139,383	12,573	25,073	983,747
Donor/membership communications	-	-	-	-	-	-	-	-	-	-	-
Equipment rental	1,062	1,957	24,491	627	3,948	-	80	4,378	2,420	2,049	41,012
Fellows	-	23,292	364,079	-	-	-	-	-	-	-	387,371
Fulfillment	432,680	-	-	13,294	-	-	-	-	-	-	445,974
Hosting	-	-	-	-	-	-	-	-	-	-	-
Insurance	625	682	50,077	205	1,612	-	-	1,140	1,079	2,152	57,572
Interest	78	85	1,105	25	200	-	-	142	134	267	2,036
Legal fees	1,120	1,221	369,982	366	2,887	-	-	2,829	1,933	3,855	384,193
Lettershop	129,251	-	-	-	-	-	-	-	-	-	129,251
Manuscripts/artwork	2,904	-	213,329	-	-	-	-	-	-	-	216,233
Newsstand	105,074	-	-	20,140	-	-	-	-	-	-	125,213
Other (recruitment)	129	53	2,897	16	932	50	-	3,904	703	166	8,850
Paper	-	-	-	191,839	-	-	-	-	-	-	191,839
Postage and freight	638,679	6,105	17,976	980	895	127	20	633	4,702	1,194	671,311
Postage and freight-issues	-	-	-	309,004	65	721	-	10,206	-	-	319,995
Preparation	-	-	-	50,370	-	-	-	-	-	-	50,370
Printing and copying	424,000	8	4,701	102,981	18	1,485	-	5,081	391	24	538,688
Promotions/events	8,620	16,391	2,545	745	-	19,347	-	181,973	11,129	-	240,750
Rent	19,878	21,672	405,611	6,505	51,250	-	-	36,261	34,317	68,432	643,926
Repairs and maintenance	-	-	896	-	-	-	-	-	-	-	896
Research and reports	-	-	11,733	-	-	-	-	1,244	63,378	-	76,355
Software licensing	9,686	5,379	27,204	543	75,273	9,833	-	62,741	4,857	5,712	201,228
Supplies	1,740	1,812	32,261	800	4,105	1,917	-	4,201	3,532	5,274	55,643
Taxes	227	247	3,230	74	585	-	-	414	392	781	5,949
Telephone and online services	4,756	5,245	103,896	1,281	11,238	4,722	503	11,286	12,730	13,437	169,093
Travel and entertainment	15,327	7,758	179,969	628	6,322	18,655	-	50,338	47,922	3,847	330,765
Website hosting	-	-	-	-	135,796	-	-	-	-	-	135,796
Program	-	-	-	-	-	87,148	-	-	-	-	87,148
Depreciation and amortization	2,984	3,253	42,485	977	7,693	-	-	5,443	5,151	10,272	78,257
<b>Total expenses</b>	<b>\$ 2,510,901</b>	<b>\$ 427,233</b>	<b>\$ 5,943,644</b>	<b>\$ 838,200</b>	<b>\$ 1,292,363</b>	<b>\$ 694,507</b>	<b>\$ 72,802</b>	<b>\$ 1,235,951</b>	<b>\$ 1,032,039</b>	<b>\$ 268,136</b>	<b>\$ 14,315,778</b>

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

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

	Program Activities						Supporting Services				Total
	Membership	Public Affairs	Research and Editorial	Manufacturing and distribution print - MotherJones	Digital - MotherJones.com	Sponsored Projects	Acme	Development	Advertising Sales	General and Administrative	
Salaries and 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	203,649	23,435	29,860	6,001	16,507	597,753
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
<b>Total expenses</b>	<b>\$ 2,586,625</b>	<b>\$ 479,084</b>	<b>\$ 5,449,989</b>	<b>\$ 854,550</b>	<b>\$ 966,751</b>	<b>\$ 765,486</b>	<b>\$ 528,546</b>	<b>\$ 963,458</b>	<b>\$ 889,053</b>	<b>\$ 211,830</b>	<b>\$ 13,695,372</b>

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



FOUNDATION FOR NATIONAL PROGRESS

Statements of Cash Flows

For the Years Ended June 30, 2015 and 2014

	2015	2014
Cash flows from operating activities		
Change in net assets	\$ (742,263)	\$ 55,895
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	78,257	73,300
Changes in operating assets and liabilities		
Accounts receivable	(65,466)	16,344
Contributions receivable	200,000	(200,000)
Prepaid expenses	(63,807)	3,494
Other assets	-	(12,161)
Accounts payable	95,654	9,423
Accrued expenses	116,920	586,531
Deferred rent	20,041	55,829
Deferred subscription revenue	(62,774)	(118,242)
Net cash provided (used) by operating activities	(423,438)	470,413
Cash flows from investing activities		
Purchases of property, plant and equipment	(74,700)	(88,255)
Net cash used in investing activities	(74,700)	(88,255)
Cash flows from financing activities		
Borrowings on line of credit	50,000	-
Net cash provided by financing activities	50,000	-
Net increase (decrease) in cash and cash equivalents	(448,138)	382,158
Cash and cash equivalents, beginning of year	1,137,259	755,101
Cash and cash equivalents, end of year	\$ 689,121	\$ 1,137,259

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

FOUNDATION FOR NATIONAL PROGRESS  
Notes to Financial Statements  
June 30, 2015 and 2014

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1. Organization

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 to 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 at June 30, 2014 were collected in full during the year ended June 30, 2015. There were no contributions receivable as of June 30, 2015.

FOUNDATION FOR NATIONAL PROGRESS  
Notes to Financial Statements  
June 30, 2015 and 2014

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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 was received from one related party donor in the amount of \$1,470,000 and \$1,650,000 during the years ended June 30, 2015 and 2014, respectively. 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 2016 and beyond.

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.

FOUNDATION FOR NATIONAL PROGRESS  
Notes to Financial Statements  
June 30, 2015 and 2014

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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, 2015.

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 \$235,587 and \$87,377 as of June 30, 2015 and 2014, respectively.

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.

FOUNDATION FOR NATIONAL PROGRESS  
Notes to Financial Statements  
June 30, 2015 and 2014

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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, 2015 and 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 December 10, 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, 2015 and 2014 consists of the following:

	<u>2015</u>	<u>2014</u>
Office furniture and equipment	\$ 216,268	\$ 212,560
Computers and equipment	637,859	566,866
Leasehold improvements	<u>277,984</u>	<u>277,984</u>
	1,132,111	1,057,410
Less accumulated depreciation and amortization	<u>(957,955)</u>	<u>(879,697)</u>
Property and equipment, net	<u>\$ 174,156</u>	<u>\$ 177,713</u>

FOUNDATION FOR NATIONAL PROGRESS  
Notes to Financial Statements  
June 30, 2015 and 2014

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3. Property, Plant and Equipment (continued)

Depreciation and amortization expense for the years ended June 30, 2015 and 2014 was \$78,257 and \$73,300, respectively.

4. Line of Credit

The Foundation has a line of credit in the amount of \$500,000 at June 30, 2015 and 2014, which is payable in full on demand. The line of credit is secured primarily by accounts receivable, equipment and fixtures and bears interest at the bank's base rate plus 1.0% (5% and 4.25% at June 30, 2015 and 2014, respectively). 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, 2015. There was an outstanding balance of \$50,000 on the line of credit as of June 30, 2015. There was no balance outstanding as of June 30, 2014.

5. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2015 and 2014 are restricted as follows:

	<u>2015</u>	<u>2014</u>
Purpose of restriction		
Investigative reporting	\$ 60,808	\$ 12,099
Human rights	160,416	33,333
Food and agriculture reporting	-	83,334
Environmental reporting	112,500	187,500
Sponsored projects	<u>419,153</u>	<u>224,014</u>
Temporarily restricted net assets	<u>\$752,877</u>	<u>\$540,280</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restrictions specified or the expiration of time restrictions. Net assets released from restrictions during the year ended June 30, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Purpose restriction accomplished		
Investigative reporting	\$1,213,880	\$ 635,101
Human rights reporting	148,142	111,112
Food and agriculture reporting	143,334	111,249
Environmental reporting	475,000	673,031
Sponsored projects	<u>467,371</u>	<u>1,402,709</u>
	<u>\$2,447,727</u>	<u>\$2,933,202</u>

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6. Defined Contribution Retirement Plan

The Foundation's sponsors a defined contribution 401(k) retirement plan. The Foundation made contributions to the plan during the years ended June 30, 2015 and 2014 in the amount of \$30,235 and \$178,109, respectively.

7. 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 ranged from \$7,300 to \$7,665 during the year ended June 30, 2015. Future minimum rental commitments as of June 30, 2015 are as follows:

2016	\$ 566,713
2017	501,025
2018	529,655
2019	529,655
2020	<u>353,103</u>
Total	<u>\$2,480,151</u>

Total rental expense was \$623,747 and \$620,896 for the years ended June 30, 2015 and 2014, 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.

8. Subsequent Event

On July 12, 2015, the Foundation entered into a promissory note agreement (PRI Promissory Note) with Manaaki Foundation, Inc., a nonprofit corporation for \$100,000 to purchase names from a mailing list. The promissory note bears interest at a rate of 1.7% per annum. Principal and interest payments of \$4,241 are due monthly, commencing September 1, 2015 through the maturity date of August 1, 2017.