

Foundation for National Progress

Financial Statements

June 30, 2016 and 2015



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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 (a California nonprofit corporation) (the "Foundation"), which comprise the statements of financial position as of June 30, 2016 and 2015, 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

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 (the "U.S."); 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 U.S. 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, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the U.S.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
San Francisco, California

February 6, 2017

Foundation for National Progress
 Statements of Financial Position
 June 30, 2016 and 2015

	2016	2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 158,544	\$ 689,121
Accounts receivable, net	878,095	933,897
Contributions receivable, net	45,000	-
Other current assets	10,000	-
Prepaid expenses	121,959	192,858
Total current assets	1,213,598	1,815,876
Fixed assets		
Investment	760	-
Property, plant and equipment, net	169,148	174,156
Total fixed assets	169,908	174,156
Other assets	54,231	54,231
Total assets	\$ 1,437,737	\$ 2,044,263
LIABILITIES AND NET DEFICIT		
Current liabilities		
Accounts payable	\$ 1,002,499	\$ 810,334
Accrued expenses	1,174,397	1,232,727
Line of credit	500,000	50,000
Current portion of deferred subscription revenue	1,158,338	1,513,173
Current portion of note payable	50,353	-
Total current liabilities	3,885,587	3,606,234
Long-term liabilities		
Deferred rent	237,926	267,988
Tenant security deposit	2,500	-
Notes payable, net of current portion	4,235	-
Total long-term liabilities	244,661	267,988
Total liabilities	4,130,248	3,874,222
Net deficit		
Unrestricted	(3,589,474)	(2,582,836)
Temporarily restricted	896,963	752,877
Total net deficit	(2,692,511)	(1,829,959)
Total liabilities and net deficit	\$ 1,437,737	\$ 2,044,263

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

Foundation for National Progress
Statement of Activities
For the Year Ended June 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and revenue			
Grants and contributions	\$ 4,201,696	\$ 2,352,940	\$ 6,554,636
Membership	4,241,100	-	4,241,100
Advertising	1,910,709	-	1,910,709
Single issue sales	268,572	-	268,572
ACME	72,158	-	72,158
Sponsored projects	204,359	-	204,359
List rentals	154,094	-	154,094
Royalties	23,463	-	23,463
Net assets released from restriction	<u>2,208,854</u>	<u>(2,208,854)</u>	<u>-</u>
Total support and revenue	<u>13,285,005</u>	<u>144,086</u>	<u>13,429,091</u>
Functional expenses			
Program services			
Membership	2,355,918	-	2,355,918
Public affairs	127,101	-	127,101
Research and editorial	6,211,606	-	6,211,606
Manufacturing and distribution print- MotherJones	776,676	-	776,676
Digital MotherJones.com	990,661	-	990,661
Sponsored projects	<u>960,545</u>	<u>-</u>	<u>960,545</u>
Total program services	<u>11,422,507</u>	<u>-</u>	<u>11,422,507</u>
Support services			
Acme	72,013	-	72,013
Membership support	229,583	-	229,583
Development	1,274,025	-	1,274,025
Advertising sales	1,032,066	-	1,032,066
General and administrative	<u>261,449</u>	<u>-</u>	<u>261,449</u>
Total support services	<u>2,869,136</u>	<u>-</u>	<u>2,869,136</u>
Total functional expenses	<u>14,291,643</u>	<u>-</u>	<u>14,291,643</u>
Change in net assets	(1,006,638)	144,086	(862,552)
Net assets (deficit), beginning of year	<u>(2,582,836)</u>	<u>752,877</u>	<u>(1,829,959)</u>
Net assets (deficit), end of year	<u>\$ (3,589,474)</u>	<u>\$ 896,963</u>	<u>\$ (2,692,511)</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

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
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 restriction	<u>2,447,727</u>	<u>(2,447,727)</u>	<u>-</u>
Total support and revenue	<u>13,360,918</u>	<u>212,597</u>	<u>13,573,515</u>
Functional expenses			
Program services			
Membership	2,253,751	-	2,253,751
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	<u>694,509</u>	<u>-</u>	<u>694,509</u>
Total program services	<u>11,449,700</u>	<u>-</u>	<u>11,449,700</u>
Support services			
Acme	72,802	-	72,802
Membership support	257,153	-	257,153
Development	1,235,951	-	1,235,951
Advertising sales	1,032,039	-	1,032,039
General and administrative	<u>268,133</u>	<u>-</u>	<u>268,133</u>
Total support services	<u>2,866,078</u>	<u>-</u>	<u>2,866,078</u>
Total functional expenses	<u>14,315,778</u>	<u>-</u>	<u>14,315,778</u>
Change in net assets	(954,860)	212,597	(742,263)
Net assets (deficit), beginning of year	<u>(1,627,976)</u>	<u>540,280</u>	<u>(1,087,696)</u>
Net assets (deficit), end of year	<u>\$ (2,582,836)</u>	<u>\$ 752,877</u>	<u>\$ (1,829,959)</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, 2016

	Program services						Support services						Total	
	Membership	Public affairs	Research and editorial	Manufacturing and distribution print-MotherJones	Digital MotherJones.com	Sponsored projects	Total program services	Acme	Membership support	Development	Advertising sales	General and administrative		Total support services
Personnel expenses														
Salaries and related expenses	\$ 420,217	\$100,694	\$ 4,364,464	\$ 131,800	\$ 643,112	\$ 54,334	\$ 5,714,621	\$ 72,000	\$ -	\$ 765,839	\$ 526,732	\$ 107,754	\$ 1,472,325	\$ 7,186,946
Total personnel expenses	420,217	100,694	4,364,464	131,800	643,112	54,334	5,714,621	72,000	-	765,839	526,732	107,754	1,472,325	7,186,946
Bad debt	-	-	-	-	-	-	-	-	-	-	20,579	-	20,579	20,579
Bank charges	10,150	247	17,593	380	1,837	1,761	31,968	-	-	3,249	2,020	3,685	8,954	40,922
Conferences/seminars/dues	986	1,343	2,497	21	100	14,555	19,502	-	-	697	6,226	200	7,123	26,625
Commissions	-	-	-	-	-	-	-	-	-	-	135,040	-	135,040	135,040
Consultants	174,647	1,835	128,229	5,061	43,232	726,698	1,079,702	-	60,579	70,660	13,934	27,385	172,558	1,252,260
Donor/membership communications	1,230,099	-	-	-	-	-	1,230,099	-	169,004	3,618	-	-	172,622	1,402,721
Equipment rental	907	508	23,534	591	1,251	-	26,791	-	-	2,855	1,921	1,315	6,091	32,882
Fellows	-	-	259,147	-	-	-	259,147	-	-	-	-	-	-	259,147
Fulfillment	325,440	-	-	9,645	-	-	335,085	-	-	771	-	-	771	335,856
Insurance	706	163	52,285	251	1,213	-	54,618	-	-	1,398	1,238	2,434	5,070	59,688
Interest	785	181	12,653	278	1,348	-	15,245	-	-	1,553	1,376	2,704	5,633	20,878
Legal fees	8,223	271	93,387	416	2,014	3,000	107,311	-	-	2,320	2,055	4,039	8,414	115,725
Manuscripts and artwork	-	-	295,334	-	-	-	295,334	-	-	-	-	-	-	295,334
Newstand	92,668	-	-	16,114	-	-	108,782	-	-	-	-	-	-	108,782
Recruitment	87	20	2,222	31	149	-	2,509	-	-	172	713	299	1,184	3,693
Paper	-	-	-	171,012	-	-	171,012	-	-	-	-	-	-	171,012
Postage and freight	3,443	6,096	13,041	688	601	574	24,443	-	-	14,349	3,671	944	18,964	43,407
Postage and freight-issues	-	-	-	305,589	-	-	305,589	-	-	-	-	-	-	305,589
Preparation	-	-	-	42,452	-	-	42,452	-	-	-	-	-	-	42,452
Printing and copying	14	522	5,883	80,299	24	1,762	88,504	-	-	9,468	24	48	9,540	98,044
Promotions/events	29,434	5,023	7,454	5	23	25,831	67,770	-	-	254,561	140,779	45	395,385	463,155
Rent	21,104	4,872	468,793	7,489	36,251	-	538,509	-	-	41,759	36,996	72,709	151,464	689,973
Training	19	4	1,265	7	32	-	1,327	-	-	37	32	64	133	1,460
Research and reports	19	2	26,434	89	12	365	26,921	-	-	740	77,743	24	78,507	105,428
Software licensing	8,223	244	18,394	375	89,721	17,063	134,020	-	-	18,197	3,824	3,640	25,661	159,681
Supplies	1,841	430	31,810	896	2,267	2,207	39,451	-	-	5,524	2,356	4,475	12,355	51,806
Taxes	363	84	5,854	129	624	-	7,054	-	-	718	637	1,251	2,606	9,660
Telephone and online services	7,684	1,266	143,537	1,445	9,882	4,995	168,809	13	-	12,830	12,550	14,034	39,427	208,236
Travel and entertainment	15,554	2,554	155,957	472	1,655	25,010	201,202	-	-	56,345	35,806	3,320	95,471	296,673
Website hosting	-	-	-	-	149,788	-	149,788	-	-	-	-	-	-	149,788
Training	194	24	31,673	37	180	-	32,108	-	-	208	360	360	928	33,036
Program	-	-	-	-	-	82,390	82,390	-	-	-	-	-	-	82,390
Depreciation and amortization	3,111	718	50,166	1,104	5,345	-	60,444	-	-	6,157	5,454	10,720	22,331	82,775
	<u>\$ 2,355,918</u>	<u>\$127,101</u>	<u>\$ 6,211,606</u>	<u>\$ 776,676</u>	<u>\$ 990,661</u>	<u>\$ 960,545</u>	<u>\$ 11,422,507</u>	<u>\$ 72,013</u>	<u>\$ 229,583</u>	<u>\$ 1,274,025</u>	<u>\$ 1,032,066</u>	<u>\$ 261,449</u>	<u>\$ 2,869,136</u>	<u>\$ 14,291,643</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 services							Support services						Total
	Membership	Public affairs	Research and editorial	Manufacturing and distribution print-MotherJones	Digital MotherJones.com	Sponsored projects	Total program services	Acme	Membership support	Development	Advertising sales	General and administrative	Total support services	
Personnel expenses														
Salaries and related expenses	\$ 420,062	\$ 318,762	\$ 3,927,101	\$ 132,023	\$ 966,455	\$ 56,344	\$ 5,820,747	\$ 72,000	\$ -	\$ 709,938	\$ 562,909	\$ 121,120	\$ 1,465,967	\$ 7,286,714
Total personnel expenses	420,062	318,762	3,927,101	132,023	966,455	56,344	5,820,747	72,000	-	709,938	562,909	121,120	1,465,967	7,286,714
Bad debt	-	-	-	-	-	-	-	-	-	-	94,102	-	94,102	94,102
Bank charges	105,072	708	9,556	212	1,673	1,958	119,179	-	-	1,352	1,784	2,235	5,371	26,988
Books and subscriptions	58	155	23,807	281	207	410	24,918	-	-	281	1,804	200	2,285	27,203
Conferences/seminars/dues	7,600	4,361	17,519	195	1,533	3,614	34,822	-	-	2,784	15,162	2,046	19,992	54,814
Commissions	-	-	-	-	-	-	-	-	-	-	148,934	-	148,934	148,934
Consultants	212,390	8,090	107,194	4,089	19,677	488,176	839,616	200	-	139,383	12,573	25,073	177,229	1,016,845
Donor/membership communications	1,068,652	-	-	-	-	-	1,068,652	-	257,153	-	-	-	257,153	1,325,805
Equipment rental	1,062	1,957	24,491	627	3,948	-	32,085	80	-	4,378	2,420	2,051	8,929	41,014
Fellows	-	23,292	364,079	-	-	-	387,371	-	-	-	-	-	-	387,371
Fulfillment	291,208	-	-	13,294	-	-	304,502	-	-	-	-	-	-	304,502
Insurance	625	682	50,077	205	1,612	-	53,201	-	-	1,140	1,079	2,152	4,371	57,572
Interest	78	85	1,105	26	200	-	1,494	-	-	142	134	267	543	2,037
Legal fees	1,120	1,221	369,982	366	2,887	-	375,576	-	-	2,829	1,933	3,854	8,616	384,192
Manuscripts and artwork	-	-	213,329	-	-	-	213,329	-	-	-	-	-	-	213,329
Newstand	71,973	-	-	20,140	-	-	92,113	-	-	-	-	-	-	92,113
Recruitment	129	53	2,897	16	932	50	4,077	-	-	3,904	703	159	4,766	8,843
Paper	-	-	-	191,839	-	-	191,839	-	-	-	-	-	-	191,839
Postage and freight	10,503	6,105	17,976	980	895	127	36,586	20	-	633	4,702	1,195	6,550	43,136
Postage and freight-issues	-	-	-	309,004	64	721	309,789	-	-	10,206	-	-	10,206	319,995
Preparation	-	-	-	50,370	-	-	50,370	-	-	-	-	-	-	50,370
Printing and copying	-	8	4,701	102,981	18	1,485	109,193	-	-	5,081	391	23	5,495	114,688
Promotions/events	8,622	16,391	2,545	745	-	19,347	47,650	-	-	181,973	11,129	-	193,102	240,752
Rent	19,878	21,672	405,611	6,505	51,250	-	504,916	-	-	36,261	34,317	68,432	139,010	643,926
Training	-	-	896	-	-	-	896	-	-	-	-	-	-	896
Research and reports	-	-	11,733	-	-	-	11,733	-	-	1,244	63,378	-	64,622	78,704
Software licensing	9,686	5,379	27,204	543	75,273	9,833	127,918	-	-	62,741	4,857	5,711	73,309	201,227
Supplies	1,739	1,809	32,261	800	4,105	1,917	42,631	-	-	4,201	3,532	5,278	13,011	55,642
Taxes	227	247	3,230	74	585	-	4,363	-	-	413	393	781	1,587	5,950
Telephone and online services	4,756	5,245	103,896	1,280	11,238	4,722	131,137	502	-	11,286	12,730	13,439	37,957	169,094
Travel and entertainment	15,327	7,758	179,969	628	6,322	18,656	228,660	-	-	50,338	47,922	3,845	102,105	330,765
Website hosting	-	-	-	-	135,796	-	135,796	-	-	-	-	-	-	135,796
Program	-	-	-	-	-	87,149	87,149	-	-	-	-	-	-	87,149
Depreciation and amortization	2,984	3,253	42,485	977	7,693	-	57,392	-	-	5,443	5,151	10,272	20,866	78,258
	<u>\$ 2,253,751</u>	<u>\$ 427,233</u>	<u>\$ 5,943,644</u>	<u>\$ 838,200</u>	<u>\$ 1,292,363</u>	<u>\$ 694,509</u>	<u>\$ 11,449,700</u>	<u>\$ 72,802</u>	<u>\$ 257,153</u>	<u>\$ 1,235,951</u>	<u>\$ 1,032,039</u>	<u>\$ 268,133</u>	<u>\$ 2,866,078</u>	<u>\$ 14,220,565</u>

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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash flows from operating activities		
Change in net assets	\$ (862,552)	\$ (742,263)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	82,775	78,258
In-kind investment	(760)	-
Changes in operating assets and liabilities		
Accounts receivable	55,802	(65,467)
Contributions receivable	(45,000)	200,000
Prepaid expenses	70,899	(63,807)
Accounts payable	192,165	95,654
Accrued expenses	(58,330)	116,920
Deferred rent	(30,062)	20,041
Tenant security deposit	2,500	-
Deferred subscription revenue	(354,835)	(62,774)
Net cash used in operating activities	<u>(947,398)</u>	<u>(423,438)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(77,767)	(74,700)
Note receivable	(10,000)	-
Net cash used in investing activities	<u>(87,767)</u>	<u>(74,700)</u>
Cash flows from financing activities		
Borrowings on line of credit	450,000	50,000
Proceeds from note payable	54,588	-
Net cash provided by financing activities	<u>504,588</u>	<u>50,000</u>
Net decrease in cash and cash equivalents	(530,577)	(448,138)
Cash and cash equivalents, beginning of year	<u>689,121</u>	<u>1,137,259</u>
Cash and cash equivalents, end of year	<u>\$ 158,544</u>	<u>\$ 689,121</u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 5,442	\$ -
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The accompanying notes are an integral part of these financial statements.

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

1. NATURE OF OPERATIONS

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.

Cash and cash equivalents

The Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

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 \$268,073 and \$235,587 as of June 30, 2016 and 2015, respectively.

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

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. There was no allowance for uncollectible contributions receivable at June 30, 2016.

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

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 \$1,425,000 and \$1,470,000 during the years ended June 30, 2016 and 2015, 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.

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, 2016 and 2015, respectively.

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

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.

Reclassifications

Certain reclassifications have been made to the 2015 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

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, 2016 and 2015, 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 February 6, 2017 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
June 30, 2016 and 2015

3. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	2016	2015
Office furniture and equipment	\$ 216,268	\$ 216,268
Computers and equipment	711,966	637,859
Leasehold improvements	281,645	277,984
	1,209,879	1,132,111
Accumulated depreciation and amortization	(1,040,731)	(957,955)
	\$ 169,148	\$ 174,156

Depreciation and amortization expense for the years ended June 30, 2016 and 2015 was \$82,775 and \$78,258, respectively.

4. LINE OF CREDIT

The Foundation has a line of credit in the amount of \$500,000 at June 30, 2016 and 2015, and bears interest at the U.S Prime Rate as published by the Wall Street Journal (3.5% and 3.25% at June 30, 2016 and 2015, respectively) and is payable monthly. The line of credit and all unpaid interest is due in full on February 22, 2018. The line of credit is secured primarily by accounts receivable, equipment and fixtures. Additionally, it is guaranteed by a former member of the board of directors who is also a long time benefactor of the Foundation.

5. NOTE PAYABLE

On July 22, 2015, the Foundation entered into a promissory note agreement (PRI Promissory Note) with Manaaki Foundation, Inc., a nonprofit corporation for up to \$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.

The future maturities of the notes payable are as follows:

<u>Year ending June 30,</u>	
2017	\$ 50,353
2018	4,235
	\$ 54,588

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist of the following:

	<u>2016</u>	<u>2015</u>
Investigative reporting	\$ 426,966	\$ 60,808
Criminal Justice reporting	-	160,416
Food and agriculture reporting	87,500	-
Environmental reporting - Climate Desk	-	112,500
Sponsored projects	<u>382,497</u>	<u>419,153</u>
	<u>\$ 896,963</u>	<u>\$ 752,877</u>

Temporarily restricted net assets released from restriction during the year were as follows:

	<u>2016</u>	<u>2015</u>
Investigative reporting	\$ 631,082	\$ 1,213,880
Human rights reporting	175,418	148,142
Food and agriculture reporting	197,500	143,334
Environmental reporting - Climate Desk	337,500	475,000
Sponsored projects	<u>867,354</u>	<u>467,371</u>
	<u>\$ 2,208,854</u>	<u>\$ 2,447,727</u>

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 years ended June 30, 2016 and 2015 in the amount of \$16,523 and \$30,235, respectively.

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 ranged from \$7,300 to \$7,665 during the year ended June 30, 2016 and 2015.

Foundation for National Progress
Notes to Financial Statements
June 30, 2016 and 2015

8. COMMITMENTS AND CONTINGENCIES (continued)

The scheduled minimum lease payments under the lease terms are as follows:

<u>Year ending June 30,</u>	
2017	\$ 501,025
2018	529,655
2019	529,655
2020	<u>353,103</u>
	<u>\$ 1,913,438</u>

Total rental expense was \$633,507 and \$623,747 for the years ended June 30, 2016 and 2015, 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.