

INVESTIGATIVE NEWS NETWORK
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2014

INVESTIGATIVE NEWS NETWORK

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities	3
Statement of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 9

HINRICHER, DOUGLAS & PORTER LLP
CERTIFIED PUBLIC ACCOUNTANTS

VENTURA OFFICE
1891 GOODYEAR AVENUE, SUITE 614
VENTURA, CA 93003

3275 OLD CONEJO ROAD
THOUSAND OAKS, CA 91320
(805) 496-1883 FAX (805) 496-5602
WWW.HDP-CPAS.COM

ENCINO OFFICE
16055 VENTURA BOULEVARD, SUITE 1215
ENCINO, CA 91436-2612

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Investigative News Network

We have audited the accompanying financial statements of Investigative News Network ("INN") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2014, and the related statements of activities, cash flows and statement of functional expenses for the year 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; 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 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 Investigative News Network as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Hinricher, Douglas & Porter LLP

Thousand Oaks, California
February 24, 2016

INVESTIGATIVE NEWS NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2014

ASSETS

Current assets:

Cash:

Operations	\$ 518,959
Fiscal Sponsorship	224,523
Total Cash	743,482

Other current assets:

Accounts receivable	36,358
Prepaid expenses	28,805
Total current assets	808,645

Equipment and furnishings, net of accumulated depreciation of \$6,267	12,858
---	--------

Other assets:

Security deposit	1,700
Total other assets	1,700

Total assets	\$ 823,203
--------------	------------

LIABILITIES

Current liabilities:

Accounts payable	\$ 55,168
Prepaid rental income	800
Total current liabilities	55,968

Total liabilities	55,968
-------------------	--------

NET ASSETS

Net assets:

Unrestricted	303,590
Temporarily restricted	
Fiscal Sponsorship	176,862
Other	286,783
	463,645

Total net assets	767,235
------------------	---------

Total liabilities and net assets	\$ 823,203
----------------------------------	------------

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

UNRESTRICTED NET ASSETS	
Grants and contributions	\$ 815,278
Investment return	203
Other income	170,620
Net assets released from restrictions	2,305,785
Total public support, revenue and reclassifications	<u>3,291,886</u>
Program expenses	1,533,896
Supporting services	
Management and general	419,185
Fund-raising	112,900
Total supporting services	<u>532,085</u>
Total expenses before Fiscal Sponsorship expenses	2,065,981
Fiscal Sponsorship Expenses	<u>1,250,421</u>
Total expenses	<u>3,316,402</u>
Change in unrestricted net assets	<u>(24,516)</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and contributions	1,182,556
Fiscal sponsorship grants and contributions	1,069,347
Net assets released from restrictions	(1,057,409)
Net assets released from restrictions - Fiscal Sponsorship	<u>(1,248,376)</u>
Change in temporarily restricted net assets	<u>(53,882)</u>
CHANGE IN NET ASSETS	(78,398)
Net assets - beginning of year	<u>845,633</u>
Net assets - end of year	<u><u>\$ 767,235</u></u>

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets \$ (78,398)

Adjustments to reconcile change in net assets to
net cash provided by (used in) operating activities:

Depreciation 2,340

(Increase) decrease in accounts receivable (36,358)

(Increase) decrease in prepaid expenses (7,998)

Increase (decrease) in accounts payable 37,035

Increase (decrease) in accrued expenses (29,376)

Net cash provided by (used in) operating activities (112,755)

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchase of fixed assets (9,642)

Net cash provided by (used in) investing activities (9,642)

Total increase/(decrease) in cash (122,397)

Cash at beginning of year 865,879

Cash at end of year \$ 743,482

Supplemental information:

Income taxes paid \$ 0

Interest paid \$ 0

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2014

	<u>Supporting Services</u>			<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management & General</u>	<u>Fundraising</u>	<u>2014</u>
Salaries and related expenses	\$ 399,291	\$ 214,107	\$ 45,000	\$ 658,398
Professional fees	101,833	54,353	39,600	195,786
Printing and postage	737	583	97	1,417
Travel and auto	38,673	30,599	5,082	74,354
Utilities	983	778	129	1,890
Dues, licenses & education	1,159	917	152	2,228
Telephone	2,262	1,789	297	4,348
Rent	11,823	9,354	1,554	22,731
Insurance	12,554	9,933	1,650	24,137
Taxes	28,851	22,827	3,791	55,469
Office expense	3,077	2,433	405	5,915
Employee benefits	10,049	7,951	1,320	19,320
Computer and internet	122,191	22,761	5,086	150,038
Marketing	364	288	48	700
Conferences and meetings	183,359	34,155	7,632	225,146
Meals and entertainment	6,592	5,216	866	12,674
Repairs and maintenance	226	179	30	435
Grants and awards	608,655	0	0	608,655
Total expenses before depreciation	1,532,679	418,222	112,740	2,063,641
Depreciation	1,217	963	160	2,340
Total expenses	<u>\$ 1,533,896</u>	<u>\$ 419,185</u>	<u>\$ 112,900</u>	<u>\$ 2,065,981</u>

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 1 - DESCRIPTION OF ORGANIZATION:

INN was organized to help nonprofit news organizations produce and distribute stories with impact; to achieve cost efficiencies by pooling resources and services, and to develop new revenue streams that will help member organizations become sustainable businesses.

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES:

Financial Statement Presentation

INN has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, INN is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, INN is required to present a statement of cash flows.

Equipment and Furnishings

All acquisitions of equipment and furnishings in excess of \$500 and all expenditures for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Purchased equipment and furnishings are stated at cost. Depreciation is computed using the straight-line method with the following estimated useful lives:

Equipment and furnishings	5 to 7 years
---------------------------	--------------

Expenditures for maintenance and repairs are charged directly to the appropriate operating account at the time the expense is incurred. Expenditures determined to represent additions and betterments are capitalized.

Contributions

Contributions and grants are reported as unrestricted, temporarily restricted or permanently restricted depending on the donor's directives. When a restriction expires temporarily restricted or permanently restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Contributed Services

No amounts have been reflected in the financial statements for contributed services. INN generally pays for services requiring specific expertise.

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Fiscal Sponsorships

INN effects change not only through the direct impact of its own programs but also by supporting members who have yet to receive their exempt status. One of the ways that INN does this is by becoming a fiscal sponsor to independent projects to further their mission. As a fiscal sponsor, INN receives donations and provides organization infrastructure, legal and tax-exempt status for the projects for a small fee. In 2014, INN was a fiscal sponsor for ten projects.

Income Taxes

INN is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and therefore has made no provision for federal income taxes in the accompanying financial statements. In addition, the Internal Revenue Service has determined that INN is not a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code. There was no unrelated business income for the year ended December 31, 2014. At December 31, 2014 the corporation's information returns generally remain open for the three preceding years.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of 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 the reported amounts of assets and liabilities and contingent assets and liabilities (e.g., the fair value of financial instruments, potential impairments to fixed assets and accrued expenses) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Fair value approximates carrying amounts. As of December 31, 2014 INN has no cash equivalents.

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 2 - SUMMARY OF ACCOUNTING POLICIES: (Continued)

Concentrations of Credit Risk Arising from Cash Deposits in Excess of Insured Limits

In its normal course of business, INN deposits cash with financial institutions which are insured by the Federal Deposit Insurance Corporation. The balance in these accounts will, at times, exceed the insurance limitation. It is Management's policy to review on an ongoing basis the financial condition of the financial institutions in which funds are deposited. At December 31, 2014, the Company had \$613,622 that exceeds amounts covered by insurance. Management believes that there is no significant risk with respect to such deposits.

NOTE 3 – EQUIPMENT AND FURNISHINGS:

Equipment and furnishings consists of the following at December 31:

	<u>2014</u>
Equipment and furnishings	\$ 19,125
Less: accumulated depreciation	<u>(6,267)</u>
	<u>\$ 12,858</u>

NOTE 4 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2014; there were no unusual items accrued.

NOTE 5 - COMMITMENTS AND CONTINGENCIES:

17514 Ventura Boulevard, Suite 103, Encino, CA

On March 31, 2011, the Company entered into an original 26 month lease that was extended for 36 months with 17514 Ventura Boulevard Building, LLC. The lease expires June 30, 2016. The extended lease monthly rent begins at \$2,617 and increases over the term of the lease. Rental expense on the lease was \$31,878 for 2014. INN subleases out a portion of the space for \$765 per month on a month to month basis and received a \$700 deposit. Future minimum lease payments under noncancelable leases in excess of one year are as follows:

Years ending December 31,

2015	32,838
2016	<u>16,662</u>
	<u>\$ 49,500</u>

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

NOTE 6 – FISCAL SPONSORSHIPS

INN is a fiscal sponsor for the following projects:

- Tucson Sentinel, a current member and local independent nonprofit news organization, offers professional reporting and community conversation on issues that affect Tucson.
- The Global Center for Investigative Journalism (GCIJ) is an international organization dedicated to advancing investigative journalism around the world through networking strategies, collaborations, and capacity-building among investigative reporting organizations.
- Investigative Post is a nonprofit investigative reporting center focused on issues of importance to Buffalo and Western New York. Its dual mission is to promote a just and well-governed community and a healthy environment and economy by providing citizens with high-quality investigative reporting and analysis, and to develop young journalists, particularly those of color, through partnerships with local colleges and universities and by providing internships, apprenticeships and other opportunities to students and recent graduates wanting to learn the craft of investigative reporting.
- Ohio Center for Investigative Reporting (aka Eye on Ohio) is a nonprofit news organization with a mission to promote the public good by pursuing in-depth, underreported, and high-impact journalism which exposes injustice and explores its consequences. Eye on Ohio's reporting will investigate the truth, hold those in power accountable, and seek solutions.
- Center for Accountability served as a clearinghouse, creator and amplifier of great accountability journalism, holding journalism itself accountable for its failure to do more. The organization closed its doors in 2013. Funding has been sent back to the original funders during 2014.
- Philadelphia Public School Notebook's mission is to promote informed public involvement in the Philadelphia public schools and to contribute to the development of a strong movement for educational change in the city.
- The Maine Center for Public Interest Reporting will keep citizens informed about their government and their public servants through high-quality, independent investigative reporting that is published by media outlets across the state.
- True Politics is an independent, nonpartisan, nonprofit organization that provides voters with objective, timely and comprehensive fact-checks of advertisements and statements from candidates, elected officials and third parties.
- Civic Lab is an organization in Chicago dedicated to collaboration, education and innovation for social justice and civic engagement. One of Civic Lab's main projects is the TIF Illumination Project, which informs and engages Chicago residents about tax increment financing in the city.
- Arizona Center for Investigative Reporting is an independent, nonprofit media organization dedicated to statewide accountability journalism in Arizona. AZCIR's mission is to produce, foster and promote investigative journalism through original and collaborative reporting, public events and trainings, for the betterment of Arizona communities.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events have been evaluated through February 24, 2016, the date the financial statements were available to be issued.