

INVESTIGATIVE NEWS NETWORK
INDEPENDENT AUDITORS' REPORT
AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2013

INVESTIGATIVE NEWS NETWORK

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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, 2013, 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, 2013, 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
August 6, 2014

INVESTIGATIVE NEWS NETWORK
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current assets:

Cash

Operations	\$ 467,348
Fiscal Sponsorship	398,531
	865,879
Prepaid expenses	20,807
Total current assets	886,686

Equipment and furnishings, net of accumulated depreciation of \$3,927	5,556
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Other assets:

Security deposit	1,700
Total other assets	1,700

Total assets	\$ 893,942
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LIABILITIES

Current liabilities:

Accounts payable	\$ 18,133
Accrued expenses	30,176
Total current liabilities	48,309

Total liabilities	48,309
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NET ASSETS

Net assets:

Unrestricted	328,106
Temporarily restricted	
Fiscal Sponsorship	355,891
Other	161,636
	517,527

Total net assets	845,633
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Total liabilities and net assets	\$ 893,942
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See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

UNRESTRICTED NET ASSETS	
Grants and contributions	\$ 597,900
Investment return	224
Other income	35,388
Net assets released from restrictions	<u>1,427,561</u>
Total public support, revenue and reclassifications	<u>2,061,073</u>
Program expenses	737,581
Supporting services	
Management and general	305,188
Fund-raising	<u>90,902</u>
Total supporting services	<u>396,090</u>
Total expenses before Fiscal Sponsorship expenses	1,133,671
Fiscal Sponsorship Expenses	<u>786,558</u>
Total expenses	<u>1,920,229</u>
Change in unrestricted net assets	<u>140,844</u>
TEMPORARILY RESTRICTED NET ASSETS	
Grants and contributions	660,000
Fiscal sponsorship grants and contributions	1,142,448
Net assets released from restrictions	(598,364)
Net assets released from restrictions - Fiscal Sponsorship	<u>(829,197)</u>
Change in temporarily restricted net assets	<u>374,887</u>
CHANGE IN NET ASSETS	515,731
Net assets - beginning of year	<u>329,902</u>
Net assets - end of year	<u><u>\$ 845,633</u></u>

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2013

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 515,731
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:	
Depreciation	1,465
(Increase) decrease in prepaid expenses	5,695
Increase (decrease) in accounts payable	15,326
Increase (decrease) in accrued expenses	<u>30,176</u>
Net cash provided by (used in) operating activities	<u>568,393</u>
Total increase/(decrease) in cash	568,393
Cash at beginning of year	<u>297,486</u>
Cash at end of year	<u><u>\$ 865,879</u></u>

Supplemental information:

Income taxes paid	\$ 0
Interest paid	<u><u>\$ 0</u></u>

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2013

	Supporting Services			Total Expenses
	Program Services	Management & General	Fundraising	2013
Salaries and related expenses	\$ 245,129	\$ 151,373	\$ 22,566	\$ 419,068
Professional fees	87,259	42,415	42,400	172,074
Printing and postage	654	566	69	1,289
Travel and auto	12,717	11,010	1,350	25,077
Utilities	783	678	84	1,545
Dues, licenses & education	644	558	68	1,270
Telephone	5,270	4,563	559	10,392
Rent	11,407	9,876	1,211	22,494
Insurance	10,216	8,845	1,085	20,146
Taxes	13,094	11,337	1,391	25,822
Office expense	1,802	1,560	190	3,552
Employee benefits	17,884	15,484	1,900	35,268
Computer and internet	129,066	20,873	8,534	158,473
Conferences and meetings	135,342	21,888	8,949	166,179
Meals and entertainment	4,316	3,737	458	8,511
Grants and awards	61,046	0	0	61,046
Total expenses before depreciation	736,629	304,763	90,814	1,132,206
Depreciation	952	425	88	1,465
Total expenses	<u>\$ 737,581</u>	<u>\$ 305,188</u>	<u>\$ 90,902</u>	<u>\$ 1,133,671</u>

See accompanying auditors' report and notes to financial statements.

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
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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, 2013

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 2013, INN was a fiscal sponsor for eight 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, 2013. At December 31, 2013 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, 2013 INN has no cash equivalents.

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013, the Company had \$389,956 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>2013</u>
Equipment and furnishings	\$ 9,483
Less: accumulated depreciation	<u>(3,927)</u>
	<u>\$ 5,556</u>

NOTE 4 - ACCOUNTS PAYABLE:

Accounts payable consists of normal operating expenses of INN that occurred prior to December 31, 2013; 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 \$30,646 for 2013. INN subleases out a portion of the space for \$721 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,	
2014	31,878
2015	32,838
2016	<u>16,662</u>
	<u>\$ 81,378</u>

INVESTIGATIVE NEWS NETWORK
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 6 – FISCAL SPONSORSHIPS

INN is a fiscal sponsor for the following projects:

- 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.
- The Southern Investigative Reporting Foundation (SIRF) seeks to provide in-depth financial investigative reporting on publicly listed companies and other capital markets participants. SIRF's work, using publicly available legal and financial documents, is designed to fill in the massive information gap that afflicts readers and investors who have traditionally relied on media to investigate and hold accountable those people and institutions whom they entrust with their hard won capital.
- 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.
- Tucson Sentinel, a current member and local independent nonprofit news organization that offers professional reporting and community conversation on issues that affect Tucson.
- Ohio Center for Investigative Reporting (aka Eye on Ohio) Mission Statement: Our mission is to promote the public good by pursuing in-depth, underreported and high-impact journalism which exposes injustice and explores its consequences. Our reporting will investigate the truth, hold those in power accountable, and seek solutions.
- Philadelphia Notebook: The mission of the *Notebook* 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.
- Center for Accountability served as a clearinghouse, creator and amplifier of great accountability journalism; and to hold journalism itself accountable for its failure to do more. The Organization closed their doors in 2013. Funding has been sent back to the original funders.

NOTE 7 - EVALUATION OF SUBSEQUENT EVENTS:

Subsequent events have been evaluated through August 6, 2014, the date the financial statements were available to be issued.