

**INVESTIGATIVE NEWSOURCE DBA
INEWSOURCE
FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015**

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE

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INDEPENDENT AUDITOR'S REPORT

To The Board of Directors
Investigative Newsource DBA inewsource

We have audited the accompanying financial statements of Investigative Newsource dba inewsource, a nonprofit organization, which comprise the statement of financial position as of June 30, 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the six month period 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.

Earning Your Trust Since 1946

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Investigative Newsource dba inewsource as of June 30, 2015 and the changes in its net assets and its cash flows for the six month period then ended in accordance with accounting principles generally accepted in the United States of America.



CONSIDINE & CONSIDINE
An Accountancy Corporation

May 16, 2016

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2015

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ASSETS

CURRENT ASSETS

Cash (Note 3)	\$ 186,902
Pledges Receivable - Current (Note 4)	120,000
Prepaid Expenses	2,720
	<hr/>
	309,622

PROPERTY AND EQUIPMENT (Note 5)

4,445

OTHER ASSETS

Pledges Receivable - Long Term (Note 4)	300,000
	<hr/>

TOTAL ASSETS

614,067

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	44,593
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NET ASSETS

Unrestricted	541,148
Temporarily Restricted (Note 6)	8,326
Permanently Restricted Net Assets (Note 7)	20,000
	<hr/>
	569,474

TOTAL LIABILITIES AND NET ASSETS

\$ 614,067

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015**

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CHANGES IN UNRESTRICTED NET ASSETS

REVENUES AND SUPPORT

Contributions	\$ 564,391
In Kind Donations (Note 8)	97,181
Program Service Revenue	150
Interest Income	118
	661,840

NET ASSETS RELEASED FROM RESTRICTIONS

21,578

EXPENSES

Program	336,404
General and Administrative	69,901
Development	38,899
	445,204

INCREASE IN UNRESTRICTED NET ASSETS

238,214

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS

Temporarily Restricted Contributions	29,904
Assets Released from Restriction	(21,578)

INCREASE IN TEMPORARILY RESTRICTED NET ASSETS

8,326

CHANGES IN PERMANENTLY RESTRICTED NET ASSETS

Permanently Restricted Contributions	20,000
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TOTAL INCREASE IN NET ASSETS

266,540

NET ASSETS - BEGINNING OF PERIOD

302,934

NET ASSETS - END OF PERIOD

\$ 569,474

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015**

	Program	General and Administrative	Development	Total
EXPENSES				
Advertising	\$ 7,882	\$ -	\$ 2,527	\$ 10,409
Bank Fees	-	1,409	-	1,409
Conferences and Meetings	1,595	-	-	1,595
Story Entry Fees	2,620	-	-	2,620
Depreciation	-	967	-	967
Information Technology	3,103	3,578	-	6,681
Insurance	-	5,823	-	5,823
Office	886	2,974	496	4,356
Professional Services	126,248	15,675	199	142,122
Personnel	178,907	37,073	35,299	251,279
Rent	1,846	390	364	2,600
Tax and License	-	98	-	98
Travel	13,317	1,914	14	15,245
TOTAL EXPENSES	\$ 336,404	\$ 69,901	\$ 38,899	\$ 445,204

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF CASH FLOWS
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015**

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CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

Change in Net Assets \$ 266,540

**ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS
TO NET CASH USED BY OPERATING ACTIVITIES**

Depreciation 967

Change in Operating Assets and Liabilities

Pledges Receivable (420,000)

Prepaid Expenses 4,568

Accounts Payable and Accrued Liabilities 4,457

(410,008)

NET DECREASE IN CASH

(143,468)

CASH, BEGINNING OF PERIOD

330,370

CASH, END OF PERIOD

\$ 186,902

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015**

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NOTE 1 THE ORGANIZATION

Investigative Newsource DBA inewsourc (the "Organization") is a nonprofit public benefit corporation which produces investigative journalism to inform the citizens of San Diego and Imperial Counties. The Organization was incorporated in 2009 in the State of California and operates as a tax-exempt 501(c)3 non profit. Substantially all of its funding is received as contributions from individuals, foundations, and corporations.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The financial statements have been prepared using the accrual method in conformity with generally accepted accounting principles.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results could differ from these estimates.

Basis of Presentation - The Organization 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.

Unrestricted Net Assets - Unrestricted amounts are those which are not subject to donor-imposed stipulations and are currently available for use in the Organization's operations under the direction of the board.

Temporarily Restricted Net Assets - Temporarily restricted net assets consist of contributed funds subject to donor-imposed restrictions contingent upon specific performance of a future event or a specific passage of time before the Organization may spend the funds. At June 30, 2015 there was \$8,326 in temporarily restricted net assets.

Permanently Restricted Net Assets - Permanently restricted amounts are those which are restricted by donors that neither expire by the passage of time nor can be fulfilled or removed by actions of the Organization. At June 30, 2015 there was \$20,000 in permanently restricted net assets.

Cash - The Organization considers financial instruments with a fixed maturity date of less than three months to be cash equivalents.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment - Property and equipment are carried at cost. It is the policy of management to capitalize property and equipment in excess of \$1,000. Donations of property and equipment are recorded as contributions, unless the donor has restricted the donated asset to specific purpose. Depreciation is computed using the straight-line method of depreciation over the assets' estimated useful lives of five years. Maintenance and repairs are charged to the expense as incurred; major renewals and betterments are capitalized. When items of property and equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

Fair Value Measurement - The Organization follows accounting standards consistent with the Financial Accounting Standards Board (FASB) codification which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements for all financial assets and liabilities.

Pledges Receivable - The pledges receivable consist of donor promises to give and reimbursement grants. It is the Organization's policy to charge off uncollectible pledges receivable when management determines the pledge will not be collected. All pledges receivable are considered collectible as of June 30, 2015.

Contributions - Contributions received are considered to be unrestricted and available for general use unless designated by the donor for a specific purpose. All donor-restricted support is reported as an increase in temporarily restricted net assets. When a 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 and reported in the statement of activities as net assets from restrictions.

Functional 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 program and supporting services benefited based on management's estimates.

Income Taxes - As a nonprofit organization, the Organization has obtained exempt status. Under Internal Revenue Section 501(c)(3) and Section 23701(d) of the California Franchise Tax Code, The Organization is not subject to income taxes for operations related to its exempt purpose.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As of June 30, 2015 the Organization believes it does not have any taxable unrelated business income, and accordingly, has not accrued interest or penalties related to uncertain tax positions. The Organization files tax returns in the U.S. Federal jurisdiction and the State of California.

NOTE 3 CASH

The Organization did not have cash in excess of the federally insured limits of \$250,000 as of June 30, 2015. The Organization maintains its bank accounts at one credit union located in California.

NOTE 4 PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give totalling \$420,000 on September, 30 2015.

Amounts due in:

Less than one year	\$ 120,000
One to five years	300,000
	<u>\$ 420,000</u>

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Cameras and Equipment	\$ 10,960
Accumulated Depreciation	(6,515)
	<u>\$ 4,445</u>

Depreciation expense was \$967 for the period ended June 30, 2015.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
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NOTE 6 NET ASSETS

Net assets consist of the following at June 30, 2015:

Unrestricted	\$ 541,148
Temporarily Restricted	
INNovation Fund	6,826
Legal Fund	1,500
	<hr/> 8,326
Permanently Restricted	20,000
	<hr/> <u>\$ 569,474</u>

NOTE 7 ENDOWMENT FUND

Effective January 1, 2009, California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after that date. Based on its interpretation of the provisions of UPMIFA, the Organization is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so to consider a number of factors including the duration and preservation of its donor restricted endowment funds. The Organization classifies as permanently restricted net assets the original value of its initial investment to be held in perpetuity. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Amounts are to be given by the Organization to the Rancho Santa Fe Foundation (the "Foundation") for the establishment of an endowment fund to support the mission of the Organization (See Note 4). The nature of the promises to give require the amounts to be classified as permanently restricted net assets. These funds are to help support the general purpose of the Organization in perpetuity. Rancho Santa Fe Foundation makes all investment decisions related to the endowment fund.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
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NOTE 7 ENDOWMENT FUND (Continued)

The Policy Manual of the Foundation states their primary goals as preservation of capital with appropriate liquidity, sufficient growth of capital to offset the effects of inflation and provide for future needs, and enhancement of the realization of the philanthropic goals of the Foundation and its constituent organizations.

The portion of the Endowment Fund that is classified as permanently restricted is not reduced by losses on the investments of the fund. Losses on the investments of permanently restricted funds reduce the temporarily restricted net assets to the extent that donor-imposed temporary restrictions on net appreciation of the fund have not been met before the loss occurs. Any remaining losses reduce unrestricted net assets.

Endowment assets are reported as pledges receivable in the statement of financial position at June 30, 2015.

Composition of and changes in endowment net assets for the year ended June 30, 2015 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets, Beginning of Year	\$ -	\$ -	\$ -	\$ -
Pledged Contributions	-	-	20,000	20,000
Earnings on Investment	-	-	-	-
Investment Fees	-	-	-	-
Distribution	-	-	-	-
Endowment Net Assets, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>	<u>\$ 20,000</u>

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD OF
JANUARY 1 TO JUNE 30, 2015

NOTE 8 IN KIND DONATIONS

The Organization received the following gifts in-kind and donated services for the six month period ending June 30, 2015 as follows:

Legal Services	\$ 82,331
Accounting and Finance	10,000
Office Space	2,600
Information Technology Services	2,250
	<u>\$ 97,181</u>

NOTE 9 SUBSEQUENT EVENTS

Management has evaluated subsequent events through May 16, 2016, the date which the financial statements were available to be issued. There were no material subsequent events which affected the amounts or disclosures in the financial statements.