

**INVESTIGATIVE NEWSOURCE DBA
INEWSOURCE
FINANCIAL STATEMENTS
JUNE 30, 2016**

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE

	<u>Pages</u>
I. Index	1
II. Independent Auditor's Report	2 - 3
III. Statement of Financial Position	4
IV. Statement of Activities and Changes in Net Assets	5
V. Statement of Functional Expenses	6
VI. Statement of Cash Flows	7
VII. Notes to the Financial Statements	8 - 14

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, 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows 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.

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, 2016 and the changes in its net assets and its cash flows for the year then ended are in accordance with accounting principles generally accepted in the United States of America.

Handwritten signature in cursive script that reads "Considine & Considine".

CONSIDINE & CONSIDINE
An Accountancy Corporation

October 26, 2016

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2016**

Page 4

ASSETS

CURRENT ASSETS

Cash	\$ 227,677
Pledges Receivable - Current (Note 3)	282,611
Prepaid Expenses	3,472
	<hr/>
	513,760

PROPERTY AND EQUIPMENT (Note 4)

6,374

OTHER ASSETS

Loan to Others	2,000
Pledges Receivable - Long Term (Note 3)	180,000
Endowment Investments (Note 6)	20,507
	<hr/>
	202,507

TOTAL ASSETS

722,641

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	60,482
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NET ASSETS (Note 8)

Unrestricted	634,849
Temporarily Restricted	6,565
Permanently Restricted Net Assets	20,745
	<hr/>
	662,159

TOTAL LIABILITIES AND NET ASSETS

\$ 722,641

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANANETLY RESTRICTED	TOTAL
CHANGES IN UNRESTRICTED NET ASSETS				
REVENUES AND SUPPORT				
Contributions	\$ 859,956	\$ 65,654	\$ 745	\$ 926,355
In Kind Donations (Note 9)	104,911	-	-	104,911
Program Service Revenue	22,194	-	-	22,194
Dividend and Interest Income	647	-	-	647
Loss on Endowment Investments	(527)	-	-	(527)
	<u>987,181</u>	<u>65,654</u>	<u>745</u>	<u>1,053,580</u>
NET ASSETS RELEASED FROM RESTRICTIONS				
Temporary Restrictions	67,415	(67,415)	-	-
	<u>1,054,596</u>	<u>(1,761)</u>	<u>745</u>	<u>1,053,580</u>
EXPENSES				
Program	724,631	-	-	724,631
General and Administrative	95,375	-	-	95,375
Development	140,889	-	-	140,889
	<u>960,895</u>	<u>-</u>	<u>-</u>	<u>960,895</u>
INCREASE IN UNRESTRICTED NET ASSETS	93,701	(1,761)	745	92,685
NET ASSETS - BEGINNING OF PERIOD	541,148	8,326	20,000	569,474
NET ASSETS - END OF PERIOD	<u>\$ 634,849</u>	<u>\$ 6,565</u>	<u>\$ 20,745</u>	<u>\$ 662,159</u>

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program	General and Administrative	Development	Total
EXPENSES				
Bank Fees	\$ 33	\$ 2,349	\$ -	\$ 2,382
Conferences and Meetings	13,087	1,896	797	15,780
Depreciation	330	280	2,190	2,800
Information Technology	5,410	666	425	6,501
Insurance	10,610	2,929	-	13,539
Mileage Reimbursement	1,740	149	1,450	3,339
Office	8,508	651	1,932	11,091
Personnel	514,634	65,322	123,075	703,031
Professional Services	128,855	16,701	1,160	146,716
Promotional	224	-	5,300	5,524
Rent	30,020	3,420	4,560	38,000
Story Entry Fees	11,160	-	-	11,160
Tax and License	20	1,012	-	1,032
TOTAL EXPENSES	\$ 724,631	\$ 95,375	\$ 140,889	\$ 960,895

See Accompanying Notes

**INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016**

Page 7

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	
Change in Net Assets	\$ 92,685
ADJUSTMENTS TO RECONCILE CHANGES IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Depreciation	2,800
Net Endowment Investments Activity	238
Noncash Donation	(745)
Change in Operating Assets and Liabilities	
Pledges Receivable	(62,611)
Prepaid Expenses	(752)
Loan to Others	(2,000)
Accounts Payable and Accrued Liabilities	15,889
NET CASH PROVIDED BY OPERATING ACTIVITIES	45,504
CASH FLOW USED BY INVESTING ACTIVITIES	
Purchase of Equipment	(4,729)
NET INCREASE IN CASH	40,775
CASH, BEGINNING OF PERIOD	186,902
CASH, END OF PERIOD	\$ 227,677
SUPPLEMENTAL DISCLOSURES	
Noncash Investing	\$ 20,745

See Accompanying Notes

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Page 8

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 (GAAP) in the United States.

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, 2016 there was \$6,565 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, 2016 there was \$20,745 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. The Organization maintains its bank accounts with a credit union located in California. As of June 30, 2016, the Organization did not have cash balances in bank accounts that exceeded the federally insured limits. The Organization does not believe it is exposed to any significant credit risk on it's cash balance.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

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, 2016.

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.

Donated Services and Facilities - The Organization follows standards relating to contributions received and contributions made as consistent with FASB codification. These standards require recording the value of donated services and facilities that create or enhance non-financial assets or require specialized skills. The fair value of donated services and facilities has been measured on a nonrecurring basis using quoted prices for similar financial statement elements in inactive markets (Level 2 inputs).

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Page 10

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Functional Expenses - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. 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.

The Organization follows accounting standards which provide accounting and disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax position and believes that all of the positions taken in its exempt organization tax returns are more likely than not to be sustained upon examination. As of June 30, 2016 the Organization has no 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 PLEDGES RECEIVABLE

Pledges receivable consist of unconditional promises to give totaling \$462,611 on June, 30 2016.

Amounts due in:

Less than one year	\$ 282,611
One to four years	180,000
	<u>\$ 462,611</u>

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Cameras and Equipment	\$ 15,689
Accumulated Depreciation	(9,315)
	<u>\$ 6,374</u>

Depreciation expense was \$2,800 for the year ended June 30, 2016.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 FAIR VALUE MEASUREMENT

The Foundation follows the method of fair value to value its financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels has been established, which are described below:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Financial assets carried at fair value and measured on a recurring basis at June 30, 2016 are classified below in one of the three levels described above:

	Level 1	Level 2	Level 3	Total
Assets				
Pooled Investments	\$ 20,507	\$ -	\$ -	\$ 20,507

Level 1 - The endowment investments are held and managed by The Rancho Santa Fe Foundation. The funds are held in The Rancho Santa Fe Foundation's endowment and long-term pool of investments. The values are based on the fair market value of the underlying securities.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 6 ENDOWMENT INVESTMENTS

The Organization's permanently restricted endowment fund investments are held and managed by The Rancho Santa Fe Foundation. Investments are stated at fair value, measured at quoted market price, and consist of the long-term pool of investments with The Rancho Santa Fe Foundation. Cost basis information is not provided by The Rancho Santa Fe Foundation.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Beginning of Year	\$ -	\$ -	\$ 20,000	\$ 20,000
Contributions	-	-	745	745
Earnings on Investment	-	463	-	463
Investment Fees	-	(174)	-	(174)
Realized and Unrealized Loss	(238)	(289)	-	(527)
End of Year	<u>\$ (238)</u>	<u>\$ -</u>	<u>\$ 20,745</u>	<u>\$ 20,507</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 3). 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
JUNE 30, 2016

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.

Composition of and changes in endowment net assets for the year ended June 30, 2016 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Endowment Net Assets,				
Beginning of Year	\$ -	\$ -	\$ 20,000	\$ 20,000
Contributions	-	-	745	745
Earnings on Investment	-	463	-	463
Investment Fees	-	(174)	-	(174)
Realized and Unrealized Loss	(238)	(289)	-	(527)
Endowment Net Assets,				
End of Year	\$ (238)	\$ -	\$ 20,745	\$ 20,507

From time to time, the fair value of assets associated with permanently restricted funds may fall below the level that the donor requires the Foundation to retain permanently. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets was \$238 as of June 30, 2016. These deficiencies resulted from unfavorable market fluctuations that have occurred after the investment of permanently restricted funds.

INVESTIGATIVE NEWSOURCE DBA INEWSOURCE
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016

Page 14

NOTE 8 NET ASSETS

Net assets consist of the following at June 30, 2016:

Unrestricted	\$ 634,849
Temporarily Restricted	
Internship Program	1,800
Journalism Classes	4,765
	<u>6,565</u>
Permanently Restricted	20,745
	<u>\$ 662,159</u>

NOTE 9 IN KIND DONATIONS

The Organization received the following gifts in-kind and donated services for the year ending June 30, 2016 as follows:

Office Space	\$ 38,000
Stock Donation	35,918
Information Technology Services	13,500
Accounting and Finance	10,000
Promotions	4,373
Freelance Reporting	3,120
	<u>\$ 104,911</u>

NOTE 10 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 26, 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.