

**SOLUTIONS JOURNALISM
NETWORK, INC.**

*Financial Statements
February 12, 2013 (Inception)
to December 31, 2013*

SOLUTIONS JOURNALISM NETWORK, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Solutions Journalism Network, Inc.
New York, New York

We have audited the accompanying financial statements of Solutions Journalism Network, Inc. (the "Organization", a nonprofit organization) which comprise the statement of financial position as of December 31, 2013, and the related statement of activities, and cash flows for the period February 12, 2013 (inception) to December 31, 2013, 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.

Auditors' 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 auditors' 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 Solutions Journalism Network, Inc. as of December 31, 2013, and the changes in its net assets and its cash flows for the period February 12, 2013 (inception) to December 31, 2013, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



RAICH ENDE MALTER & CO. LLP

New York, New York

July 9, 2014

SOLUTIONS JOURNALISM NETWORK, INC.

Statement of Financial Position

December 31, 2013

ASSETS

Cash and cash equivalents	\$	156,081
Accounts receivable		2,000
Prepaid expenses		10,005
		<hr/>
	\$	168,086
		<hr/>

LIABILITIES

Accounts payable	\$	57,383
Deferred income		99,606
		<hr/>
		156,989
<i>Net Assets</i> - unrestricted		11,097
		<hr/>
	\$	168,086
		<hr/>

SOLUTIONS JOURNALISM NETWORK, INC.

Statement of Activities

For the Period February 12, 2013 (Inception) to December 31, 2013

Revenue

Grants	\$ 759,992
Contributions	767
In-kind revenue	83,849
Other revenue	38,707
	<u>883,315</u>

Expenses

Program services	470,530
Supporting services:	
Management and general	387,937
Fundraising	13,751
	<u>872,218</u>

Change in Net Assets 11,097

Net Assets - unrestricted - beginning of period -

Net Assets - unrestricted - end of period \$ 11,097

SOLUTIONS JOURNALISM NETWORK, INC.

Statement of Cash Flows

For the Period February 12, 2013 (Inception) to December 31, 2013

Cash Flows from Operating Activities

Change in net assets	\$ 11,097
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
<i>Increase in operating assets:</i>	
Accounts receivable	(2,000)
Prepaid expenses	(10,005)
<i>Increase in operating liabilities:</i>	
Accounts payable	57,383
Deferred income	99,606
	<u>156,081</u>
 <i>Net Increase in Cash and Cash Equivalents</i>	 156,081
 <i>Cash and Cash Equivalents</i> - beginning of period	 <u>-</u>
 <i>Cash and Cash Equivalents</i> - end of period	 <u>\$ 156,081</u>

SOLUTIONS JOURNALISM NETWORK, INC.

Notes to Financial Statements

February 12, 2013 (Inception) to December 31, 2013

1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. **Nature of Activities** - Solutions Journalism Network, Inc. (the "Organization") was formed on February 12, 2013. During the period January 1, 2013 through February 12, 2013, the Organization operated through a fiscal intermediary. The results of these operations have been included in the financial statements.

Throughout 2013, the Organization has worked to define, legitimize and spread the practice of "solutions journalism" - rigorous, unbiased reporting about credible responses to social problems. The Organization's mission is to establish solutions journalism as a core function in journalism conforming to the profession's highest standards of independence and accuracy. In keeping with journalism's historic responsibility to spotlight and contextualize significant activity in the public interest, solutions journalism will complement the watchdog role of investigative journalism by circulating reliable information about how society is confronting and adapting to major social, economic, and environmental challenges.

Story Funds - The Organization launched three story funds designed to provide financial support and mentoring to journalists pursuing exemplary solutions-oriented projects. These funds focused on efforts to mitigate the effects of climate change on vulnerable groups; efforts to integrate social and emotional learning into schools; and efforts to advance economic opportunities for women in need. In addition, the Organization has support for collaborative work on responses to global health challenges.

From these story funds, the Organization funded 14 reporting projects in 2013 - with more to launch in 2014 - that will yield a stream of major stories over the next year. For each funded project, the Organization provided individual mentoring to expose reporters to the solutions approach and to help shape stories that incorporate the solutions lens. The goal is to rapidly expand the number of leading journalists pursuing solutions-based reporting and to create a critical mass of outstanding work that will serve as teaching models for the field.

Curriculum Development and Training - The Organization developed a core curriculum designed to introduce new practitioners to the Organization's distinctive approach to the practice of journalism and to further develop and strengthen the skills of those who already integrate solutions-oriented reporting into their work.

The Organization has created curricula for one-hour, two-hour, and full-day journalist trainings, designed to be deployed live or in publicly available webinars. In 2013, the Organization delivered versions of this training to 14 U.S. news organizations. By design, the Organization has done trainings with a diverse range of organizations, cutting across media type, size, and geography - from public radio station news directors to investigative journalists to reporters at smaller newspapers.

The Organization also began to build out a suite of online tools, including guidebooks, checklists, teaching videos, and 75 model solutions stories, intended to advance the understanding and practice of solutions journalism for reporters and editors who don't have access to its direct trainings.

Newsroom Trainings and Programs - In July 2013, the Organization and The Seattle Times launched "Education Lab," an 18-month long partnership to introduce the solutions approach to coverage of public education. This initiative represents a significant opportunity for the Organization to explore how to work with editors and journalists to institute solutions journalism in a major, highly credible newsroom and to assess the impact of the resulting work.

- b. **Basis of Accounting and Presentation** - The accompanying financial statements of the Organization have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), which include the accrual basis of accounting.
- c. **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, as follows:
- i. **Unrestricted Net Assets** - Unrestricted net assets include all net assets that are not subject to donor-imposed restrictions and have met all legal and donor requirements and are available for use in the performance of the activities of the Organization.
 - ii. **Temporarily Restricted Net Assets** - Temporarily restricted net assets are subject to donor-imposed stipulations that may be or will be met by actions of the Organization and/or the passage of time. When a restriction expires, temporary restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
 - iii. **Permanently Restricted Net Assets** - Permanently restricted net assets are subject to explicit donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specified purposes.

The Organization did not have any temporarily or permanently restricted net assets at December 31, 2013.

- d. **Use of Estimates** - The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.
- e. **Cash and Cash Equivalents** - The Organization considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.
- f. **Accounts Receivable** - Accounts receivable are stated at the amount management expects to collect on outstanding balances. Credit is generally extended on a short-term basis, thus accounts receivable do not bear interest. Management provides for probable uncollectible amounts, based upon historical collection experience and a review of outstanding amounts, through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has exercised reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. At December 31, 2013, there was no allowance for doubtful accounts.
- g. **Grants** - The Organization records grant awards, accounted for as exchange transactions, as refundable advances until the related costs are incurred or services are performed, at which time they are recognized as revenue.
- h. **In-Kind Revenue** - The Organization records various types of in-kind revenue, including professional services and contributed tangible assets. Contributed professional services are recognized if: (a) the services received create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind revenue are offset by like amounts included in expenses.

- i. **Functional Allocation of Expenses** - In the accompanying statements of activities, expenses have been reported by their functional classification, a method of grouping expenses according to the purpose for which they were incurred. The primary functional classifications are program services and supporting services. Program services are the activities that result in services being provided that fulfill the purposes or mission for which the Organization exists. Supporting services are all activities of an organization other than program services.
- j. **Income Taxes** - The Organization is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code and applicable state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position, including its tax-exempt status, only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. There were no unrecognized tax benefits identified or recorded as liabilities for the period February 12, 2013 (inception) to December 31, 2013.

The Organization will file its Form 990 in the U.S. federal jurisdiction, the CHAR500 in the Office of the State's Attorney General for the State of New York, and the California Form 199 with the Registry of Charitable Trusts for the State of California.

2 - RELATED PARTY TRANSACTIONS

In January 2013, shortly before the incorporation of the Organization, the President of the Organization renewed an existing lease for office space to be used by the Organization. The Organization has occupied the space since inception of its operations on February 12, 2013, and paid all rent due under the lease, except for a portion used by an occupant unrelated to the Organization, for which the occupant pays a commensurate portion of the rent. The total annual aggregate base rent under this lease is \$23,975, including \$10,800 paid by an unrelated occupant, for of the one-year term ending January 31, 2014. Net lease payments for the year ended December 31, 2013 were \$13,175.

3 - COMMITMENTS

The Organization entered into a second operating lease agreement commencing on April 1, 2014 for a one-year term ending on March 31, 2015, at \$500 per month.

4 - CONCENTRATIONS OF CREDIT RISK

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash. At times, balances may be in excess of the Federal Deposit Insurance Corporation ("FDIC") insurance limit. All cash balances were fully insured as of December 31, 2013.

5 - SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and transactions through July 9, 2014, the date that the financial statements were available to be issued.

SOLUTIONS JOURNALISM NETWORK, INC.

*Supplementary Information - Schedule of Functional Expenses
For the Period February 12, 2013 (Inception) to December 31, 2013*

	Story Funds	Curriculum Development and Training	Newsroom Trainings and Programs	Total Program Services	Supporting Services			Total
					Management and General	Fundraising		
Salaries	\$ 11,198	\$ 39,895	\$ 26,615	\$ 77,708	\$ 89,250	\$ 12,500	\$ 179,458	
Payroll taxes and benefits	1,121	3,993	2,664	7,778	8,933	1,251	17,962	
	<u>12,319</u>	<u>43,888</u>	<u>29,279</u>	<u>85,486</u>	<u>98,183</u>	<u>13,751</u>	<u>197,420</u>	
Journalist expenses	24,110	6,605	906	31,621	750	-	32,371	
Newsroom expenses	-	-	135,302	135,302	-	-	135,302	
Professional fees	24,219	108,581	66,996	199,796	169,916	-	369,712	
Occupancy	-	-	-	-	15,721	-	15,721	
Travel and lodging	97	2,007	8,227	10,331	9,116	-	19,447	
Administrative	566	685	143	1,394	16,770	-	18,164	
Gifts and contributions	-	-	-	-	232	-	232	
In-kind services	6,600	-	-	6,600	77,249	-	83,849	
	<u>55,592</u>	<u>117,878</u>	<u>211,574</u>	<u>385,044</u>	<u>289,754</u>	<u>-</u>	<u>674,798</u>	
	\$ 67,911	\$ 161,766	\$ 240,853	\$ 470,530	\$ 387,937	\$ 13,751	\$ 872,218	

See independent auditors' report.