



CALMATTERS

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2017

**JAMES MARTA &
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CALMATTERS

DECEMBER 31, 2017

Board of Directors

Simone Coxe
Board Chair

Chris Boskin

Gregory Favre

Jeffrey Klein

Richard Koci

Tony Ridder

Leo Wolinsky

* * * *

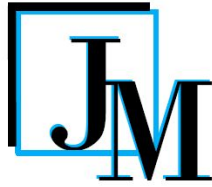
David Lesher
Chief Executive Officer

Marcia Parker
Chief Operating Officer

CALMATTERS
DECEMBER 31, 2017

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James Marta & Company LLP
Certified Public Accountants

Accounting Auditing Tax and Consulting

INDEPENDENT AUDITOR'S REPORT

Board of Directors
CALmatters
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of CALmatters, which comprise the statement of financial position as of December 31, 2017 and the related statements of activities, 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 the 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 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 presents fairly, in all material respects, the financial position of CALmatters as of December 31, 2017, and its changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

DRAFT

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
August 27, 2018

FINANCIAL SECTION

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017

ASSETS

Current Assets	
Cash and cash equivalents	\$ 234,604
Accounts receivable	7,500
Deposits	10,000
Prepaid expenses	<u>7,518</u>
Total Current Assets	259,622
Total Assets	<u><u>\$ 259,622</u></u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 36,573
Accrued expenses	<u>81,460</u>
Total Liabilities	118,033
Unrestricted net assets	134,089
Temporarily restricted net assets	<u>7,500</u>
Total Net Assets	<u>141,589</u>
Total Liabilities and Net Assets	<u><u>\$ 259,622</u></u>

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>UNRESTRICTED</u>	<u>TEMPORARILY RESTRICTED</u>	<u>TOTAL</u>
REVENUES			
Contributions	\$ 1,672,542	\$ 418,758	\$ 2,091,300
Other support and revenue			
Interest and investment income	211	-	211
Other revenue	560	-	560
Net assets released from restriction	411,258	(411,258)	-
Total Revenue	<u>2,084,571</u>	<u>7,500</u>	<u>2,092,071</u>
EXPENSES			
Reporting and content	1,427,910	-	1,427,910
Management and general	599,428	-	599,428
Fundraising and development	78,871	-	78,871
Total Expenses	<u>2,106,209</u>	<u>-</u>	<u>2,106,209</u>
Change in Net Assets	(21,638)	7,500	(14,138)
Net Assets, Beginning of Year	<u>155,727</u>	<u>-</u>	<u>155,727</u>
Net Assets, End of Year	<u>\$ 134,089</u>	<u>\$ 7,500</u>	<u>\$ 141,589</u>

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Reporting and Content</u>	<u>Management and General</u>	<u>Fundraising and Development</u>	<u>Total</u>
Personnel	\$ 1,207,977	\$ 406,911	\$ 25,719	\$ 1,640,607
Reporting and production	175,156			175,156
Marketing		56,142		56,142
Platform development	40,604			40,604
Events and fundraising			53,152	53,152
Office and rent		45,709		45,709
Management		33,087		33,087
Equipment	4,173			4,173
Professional services		50,301		50,301
Miscellaneous		7,278		7,278
Total Expenses	<u>\$ 1,427,910</u>	<u>\$ 599,428</u>	<u>\$ 78,871</u>	<u>\$ 2,106,209</u>

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions received	\$ 2,084,360
Salaries and benefits paid	(1,581,199)
Reporting and content expenses paid	(206,545)
Management and general expenses paid	(201,576)
Fundraising expenses paid	(69,585)
Net cash provided (used) by operating activities	<u>25,455</u>
 CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and investment earnings	<u>211</u>
Net cash provided (used) by investing activities	<u>211</u>
 NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	 25,666
 CASH AND CASH EQUIVALENTS, Beginning of year	 <u>208,938</u>
 CASH AND CASH EQUIVALENTS, End of year	 <u>\$ 234,604</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH USED BY OPERATING ACTIVITIES

Increase (decrease) in net assets	\$ (14,138)
Adjustments to reconcile change in net assets to cash used by operating activities:	
Investment income	(211)
(Increase) decrease in:	
Accounts receivable	(7,500)
Deposits	(10,000)
Prepaid expenses	(7,518)
Increase (decrease) in:	
Accounts payable	3,945
Accrued expenses	60,877
Net cash provided (used) by operating activities	<u>\$ 25,455</u>

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. ORGANIZATION

CALmatters is a nonprofit nonpartisan public interest journalism venture focused on California state politics and policy based in Sacramento, California.

The organization launched in July 2015. Its stories have been published in more than 90 newspapers statewide and broadcast on radio in Los Angeles, the Bay Area, Sacramento and elsewhere. The organization has more than 130 media partners. It is the largest media organization covering California state government and policy issues as measured by staff size or audience reach (broadcast, print, online).

CALmatters endeavors to:

- increase public awareness about state policy issues
- create more transparency of the policymaking process
- shine new scrutiny on the campaign trail
- experiment with new distribution, revenue and media collaboration models

B. BASIS OF ACCOUNTING

The accompanying financial statements have been prepared on an accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as defined by the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”). Under the accrual basis of accounting, revenues are recognized when earned regardless of when collected, and expenses are recognized when the obligation is incurred regardless of when paid.

The Entity’s financial position, activities, and change in net assets are reported according to three classes of net assets: Unrestricted, Temporarily Restricted, and Permanently Restricted based on the existence or absence of donor-imposed restrictions and the nature of those restrictions. Net assets and changes therein are classified and reported as follows:

Unrestricted- Net assets that are not subject to donor-imposed stipulations. Expenses are reported as decreases in unrestricted net assets. Gain and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Temporarily Restricted- Net assets that are subject to donor-imposed stipulations which limit their use by the Entity to a specific purpose and/or passage of time. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

Permanently Restricted- Net assets that are subject to donor-imposed stipulations which require them to be maintained permanently by the Entity. CALmatters had no permanently restricted net assets as of December 31, 2017.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

C. USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. CASH AND CASH EQUIVALENTS

CALmatters considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

E. ACCOUNTS RECEIVABLE

Grants Receivable – Grants receivable are recorded at the amount CALmatters expects to receive from grantors from commitments made on or prior to December 31, 2017. There were no grants receivable at December 31, 2017.

Donations Receivable- Donations receivable are recorded at the amount CALmatters expects to receive from pledges. CALmatters performs ongoing review of the donations receivable for collectability and determined that the total donations receivable of \$7,500 was collectible at December 31, 2017.

F. FIXED ASSETS

Fixed Assets consisting of furniture and equipment are recorded at cost or estimated fair market value at date of donation. Depreciation is computed using the straight-line method with estimated useful lives of three to ten years. The Entity's capitalization threshold is \$5,000 was implemented in year ended December 31, 2017. No purchases met the criteria for capitalization as fixed assets as of December 31, 2017.

G. INTANGIBLE ASSETS

The entity maintains an active website as an integral means of accomplishing its mission. Website development costs that add to existing functionality or significantly increase the useful life of existing elements of the website are recorded at cost. Amortization is computed using the straight-line method with an estimated useful life of three years for all new functionality or individual pages and five years for a complete website design or re-design. The Entity's capitalization threshold of \$5,000 for intangible assets was implemented in the year ended December 31, 2017. No purchases met the criteria for capitalization as intangible assets as of December 31, 2017.

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. CONTRIBUTIONS

Contributions revenue includes both project-specific grants from corporate and family foundations and donations from donors via one-time payments or pledges for future payments.

Grants— Grant income is recognized at the time of award for those grants constituting unconditional promises to give. Revenue from grants classified as conditional promises to give are not recorded as contribution revenue until donor conditions are met. Revenue recognition for grants characterized as exchange transactions (i.e. where the grantor specifies the time and place of delivery of any goods or services) are recognized at the time the exchange transaction occurs.

Donations - Donations are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Pledges for future payments constitute conditional promises to give. Donations of assets other than cash are recorded at their estimated fair value.

I. EXPENSE ALLOCATION

The production costs of reporting and content and other activities have been summarized on a functional basis on the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefitted.

J. DONATED SERVICES

Contributions of services are recognized at their estimated fair value if the services received create or enhance nonfinancial assets or require specialized skills, are provided by individuals possessing these skills and would typically be purchased if not provided by donation. Directors and officers have made a significant contribution of their time to develop the organization. Those donated services have not been reflected in the accompanying financial statements because they did not meet the criteria for recognition.

K. INCOME TAXES

CALmatters is exempt from income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, except for those taxes connected with unrelated business income.

CALmatters' federal return for the year ended December 31, 2017 could be subject to examination by federal taxing authorities, generally for three years after filing. CALmatters' state returns for the year ended December 31, 2017 could be subject to examination by state taxing authorities, generally for four years after filing. These financial statements do not take into consideration any additional tax liability or penalties that may be imposed by the federal or state taxing authorities.

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements for Not-for-Profit Entities*, which requires presentation on the face of the statement of financial position amounts for two classes of net assets at the end of the period, net assets with donor restrictions and net assets without donor restrictions, rather than the currently required three classes. The standard also requires the presentation on the face of the statement of activities the amount of the change in each of these two classes of net assets. The standard will no longer require the presentation or disclosure of the indirect method of reporting cash flows if an entity elects to use the direct method, however it will be required for an entity to provide enhanced disclosures about liquidity in the footnotes to the financial statements. The standard is effective for fiscal years beginning after December 15, 2017 and early adoption is permitted. CALmatters is currently evaluating the impact the standard will have on its financial statements.

M. CHANGE IN ACCOUNTING PRINCIPLE

During 2017, the entity changed its method of accounting from the modified cash basis (a basis of accounting other than accounting principles generally accepted in the United States of America) to the accrual basis. The new method of accounting was adopted to comply the California Nonprofit Integrity Act of 2004 which requires reporting in accordance with accounting principles generally accepted in the United States of America for organizations in receipt of \$2,000,000 or more in contributions. Beginning net assets have been adjusted to apply the new method retrospectively as presented below. Note that under the modified cash basis of accounting, the balance of the credit card payable was recognized in the prior year. Additional accounts payable items were identified and included in the payables balance at December 31, 2016 to accommodate the change in accounting principle.

Statement of Financial Position as of December 31, 2016

	<u>Modified Cash Basis</u> <u>As previously reported</u>	<u>Accrual Basis</u> <u>As restated</u>	<u>Effect</u> <u>of change</u>
ASSETS			
Cash and cash equivalents	\$ 208,938	\$ 208,938	\$ -
Total Assets	<u>\$ 208,938</u>	<u>\$ 208,938</u>	<u>\$ -</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 16,837	\$ 32,628	\$ 15,791
Accrued expenses	-	20,583	20,583
Total Liabilities	<u>16,837</u>	<u>53,211</u>	<u>36,374</u>
Unrestricted net assets	<u>192,101</u>	<u>155,727</u>	<u>(36,374)</u>
Total Net Assets	<u>192,101</u>	<u>155,727</u>	<u>(36,374)</u>
Total Liabilities and Net Assets	<u>\$ 208,938</u>	<u>\$ 208,938</u>	<u>\$ -</u>

2. CASH AND CASH EQUIVALENTS

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

CALmatters considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased. The balance in cash and cash equivalents at December 31, 2017 include:

Bank account - checking	\$	211,034
Bank account - savings		18,012
Money market funds		5,558
Total cash and cash equivalents	\$	234,604

Cash balances on interest-bearing accounts held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). No account balances were in excess of FDIC limits as of December 31, 2017. Money market fund investments are not insured or guaranteed by the FDIC or any other government agency. Management believes CALmatters is not exposed to any significant credit risk related to cash and cash equivalents.

3. ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2017 consists of pledged donations receivable within one year totaling \$7,500 and are reported as current assets.

4. CONDITIONAL PROMISES TO GIVE

During 2017, the entity received restricted grants totaling \$541,083 that contained donor conditions. Since these grants represent conditional promises to give, they are not recorded as contribution revenue until donor conditions are met. No funds were received from the donor in advance of the conditions being met.

5. CONTRIBUTIONS

Contributions for the year ending December 31, 2017 consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Grants	\$ 206,258	\$ 411,258	\$ 617,516
Donations	1,466,284	7,500	1,473,784
Total contributions	\$ 1,672,542	\$ 418,758	\$ 2,091,300

Contributions from Board members and other related parties totaled \$243,700 for the year ending December 31, 2017.

6. OPERATING LEASES

CALMATTERS
(A NOT-FOR-PROFIT CORPORATION)
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2017

On August 25, 2017, CALmatters entered into a sublease agreement for its administrative offices. The lease is on a month-to-month basis with base rent in the amount of \$5,000 for the first month, and \$5,500 for each subsequent month. A \$10,000 security deposit on the office is being held by the sublandlord.

Total rent expense for the year ended December 31, 2017 was \$31,450, of which \$21,500 is attributable to the organization's current facilities and \$9,950 is attributable to the last space the organization occupied.

7. LINE OF CREDIT

As of August 8, 2017, CALmatters obtained a \$100,000 line of credit pursuant to an agreement with Beneficial State Bank. Interest is payable monthly on outstanding balances at an interest rate of 6%. As of December 31, 2017, \$0 was outstanding.

8. DEFINED CONTRIBUTION PLAN

CALmatters has a defined contribution pension plan (the Plan) covering all employees. The Entity does not contribute to the Plan or match amounts contributed by participants to the Plan.

9. SUBSEQUENT EVENTS

CALmatters' management has evaluated subsequent events through August 27, 2018, the date which the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statement.