



CALMATTERS

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2016

**JAMES MARTA &
COMPANY LLP**

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CALMATTERS

DECEMBER 31, 2016

Board of Directors

Simone Coxe
Board Chair

Chris Boskin

Gregory Favre

Jeffrey Klein

Tony Ridder

Leo Wolinsky

* * * *

David Leshner
Chief Executive Officer

Marcia Parker
Chief Operating Officer

CALMATTERS
DECEMBER 31, 2016

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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 - modified cash basis as of December 31, 2016 and the related statement of activities – modified cash basis, and statement of functional expenses – modified cash basis 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 the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is 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 assets, liabilities, and net assets of CALmatters as of December 31, 2016, and its revenues and expenses for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 to the financial statement, which describes the basis of accounting. The financial statement is prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

James Marta & Company LLP

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 14, 2017

FINANCIAL SECTION

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

STATEMENT OF FINANCIAL POSITION – MODIFIED CASH BASIS

DECEMBER 31, 2016

ASSETS

| | |
|---------------------------|--------------------------|
| Cash and cash equivalents | <u>\$ 208,938</u> |
| Total Assets | <u><u>\$ 208,938</u></u> |

LIABILITIES AND NET ASSETS

| | |
|---|--------------------------|
| Credit card payable | <u>\$ 16,837</u> |
| Total Liabilities | <u>16,837</u> |
| Unrestricted net assets | <u>192,101</u> |
| Total Net Assets | <u>192,101</u> |
| Total Liabilities and Net Assets | <u><u>\$ 208,938</u></u> |

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

STATEMENT OF ACTIVITIES – MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

UNRESTRICTED NET ASSETS

REVENUES

| | |
|---------------|--------------|
| Contributions | \$ 1,788,930 |
| Interest | 201 |

| | |
|---------------|------------------|
| Total Revenue | <u>1,789,131</u> |
|---------------|------------------|

EXPENSES

| | |
|-----------------------------|-----------|
| Reporting and content | 1,013,849 |
| Management and general | 544,586 |
| Fundraising and development | 56,482 |

| | |
|----------------|------------------|
| Total Expenses | <u>1,614,917</u> |
|----------------|------------------|

| | |
|-----------------------------------|---------|
| Change in Unrestricted Net Assets | 174,214 |
|-----------------------------------|---------|

| | |
|--|---------------|
| Unrestricted Net Assets, Beginning of Year | <u>17,887</u> |
|--|---------------|

| | |
|--------------------------------------|--------------------------|
| Unrestricted Net Assets, End of Year | <u><u>\$ 192,101</u></u> |
|--------------------------------------|--------------------------|

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

STATEMENT OF FUNCTIONAL EXPENSES – MODIFIED CASH BASIS

FOR THE YEAR ENDED DECEMBER 31, 2016

| | <u>Reporting and Content</u> | <u>Management and General</u> | <u>Fundraising and Development</u> | <u>Total</u> |
|--------------------------|----------------------------------|-----------------------------------|--|---------------------|
| Personnel | \$ 755,444 | \$ 377,160 | | \$ 1,132,604 |
| Reporting and production | 150,166 | | | 150,166 |
| Marketing | | 111,346 | | 111,346 |
| Platform development | 97,601 | | | 97,601 |
| Events and fundraising | | | \$ 56,482 | 56,482 |
| Office and rent | | 27,013 | | 27,013 |
| Management | | 13,315 | | 13,315 |
| Equipment | 10,638 | | | 10,638 |
| Professional services | | 10,175 | | 10,175 |
| Miscellaneous | | 5,577 | | 5,577 |
| Total Expenses | <u>\$ 1,013,849</u> | <u>\$ 544,586</u> | <u>\$ 56,482</u> | <u>\$ 1,614,917</u> |

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

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 40 newspapers statewide and broadcast on radio in Los Angeles, the Bay Area, Sacramento and elsewhere. The organization has more than 100 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 the modified cash basis of accounting, which is a basis of accounting other than generally accepted accounting principles. Under that basis, the only assets recognized are cash and cash equivalents, the only liabilities recognized are credit card liabilities. All transactions, including credit card charges, are recognized as either cash receipts or disbursements, and noncash transactions are not recognized. The modified cash basis differs from generally accepted accounting principles primarily because the effects of expenses incurred, but not paid at the date of the financial statements are not included in the financial statements.

Management has elected to use the modified cash basis of accounting for this entity given the nature of its receipts and disbursements: unrestricted donations are considered earned upon receipt and most expenses are incurred evenly over the year.

C. CONTRIBUTIONS

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. All contributions received during the audit period were unrestricted.

D. 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 – modified cash basis. Certain costs have been allocated among the programs and supporting services benefitted.

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. DONATED SERVICES

Directors and officers have made a significant contribution of their time to develop the organization. No amounts have been recognized in the accompanying statement of activities – modified cash basis as no cash changed hands as a result of the donated services.

F. COMPENSATED ABSENCES

Employees of the organization are entitled to paid vacation based on job classification, length of service and other factors. At December 31, 2016, employees had earned but not used 402 vacation hours, valued at \$20,583 based on the employees' standard pay rates. A liability for compensated absences has not been recognized in the accompanying statement of financial position – modified cash basis as no liabilities are recognized except credit card liabilities.

G. 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, 2015 could be subject to examination by federal taxing authorities, generally for three years after filing. CALmatters' state returns for the year ended December 31, 2015 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.

2. CASH AND CASH EQUIVALENTS

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, 2016 include:

| | |
|---------------------------------|-------------------|
| Bank account - checking | \$ 101,495 |
| Bank account - savings | 76,839 |
| Money market funds | <u>30,604</u> |
| Total cash and cash equivalents | <u>\$ 208,938</u> |

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, 2016. 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.

CALMATTERS

(A NOT-FOR-PROFIT CORPORATION)

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 2016

3. RELATED PARTY TRANSACTION

On December 11, 2015, CALmatters received a short-term loan of \$50,000 from the board chair. The loan was repaid in full on January 11, 2016. No interest was paid on the loan.

4. LINE OF CREDIT

As of November 11, 2016, CALmatters obtained a \$25,000 line of credit pursuant to an agreement with Wells Fargo Bank. Interest is payable monthly on outstanding balances at an interest rate of 6.75% over the Wells Fargo Prime Rate, which was 3.5% at the time of the agreement. At December 31, 2016, the line's effective rate of interest was 3.75%. As of December 31, 2016, \$0 was outstanding.

5. SUBSEQUENT EVENTS

CALmatters' management has evaluated subsequent events through November 14, 2017, 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.