

POSITIVE FUTURES NETWORK
dba YES! MEDIA

FINANCIAL REPORT

DECEMBER 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Positive Futures Network dba
YES! Media
Bainbridge Island, Washington

We have audited the accompanying financial statements of Positive Futures Network dba YES! Media, which comprise the statement of financial position as of December 31, 2018, 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; 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. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Positive Futures Network dba YES! Media as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Peterson Sullivan LLP

September 17, 2019

POSITIVE FUTURES NETWORK dba YES! MEDIA

STATEMENT OF FINANCIAL POSITION

December 31, 2018

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 789,842
Grants receivable	290,000
Contributions receivable	150,223
Inventory	22,251
Prepaid rent	8,150
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Total current assets	1,260,466
Certificates of Deposit	233,637
Deposit	8,000
Contributions Receivable, noncurrent	102,200
Software and Development Costs, net	246,877
	<hr/>
Total assets	<u>\$ 1,851,180</u>
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts payable	\$ 58,665
Accrued payroll	44,878
Deferred revenue	432,035
	<hr/>
Total liabilities	535,578
Net Assets	
Without donor restrictions	713,702
With donor restrictions	601,900
	<hr/>
Total net assets	<u>1,315,602</u>
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Total liabilities and net assets	<u>\$ 1,851,180</u>

See Notes to Financial Statements

POSITIVE FUTURES NETWORK dba YES! MEDIA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Grants	\$ 78,500	\$ -	\$ 78,500
Contributions	1,061,532	171,400	1,232,932
Subscriptions	448,711		448,711
Investment income	6,038		6,038
Net assets released from restrictions	970,926	(970,926)	
Total support and revenue	2,565,707	(799,526)	1,766,181
Operating Expenses			
Program services	1,997,704		1,997,704
Management and general	181,947		181,947
Fundraising	332,303		332,303
Total operating expenses	2,511,954		2,511,954
Change in net assets	53,753	(799,526)	(745,773)
Net Assets, beginning of year	659,949	1,401,426	2,061,375
Net Assets, end of year	<u>\$ 713,702</u>	<u>\$ 601,900</u>	<u>\$ 1,315,602</u>

See Notes to Financial Statements

POSITIVE FUTURES NETWORK dba YES! MEDIA

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended December 31, 2018

	Program Services			Total Program Services	Management and General	Fundraising	Total
	Print Magazine	Online	Outreach				
Salaries, benefits, and taxes	\$ 580,281	\$ 496,454	\$ 228,555	\$ 1,305,290	\$ 112,386	\$ 142,827	\$ 1,560,503
Content and marketing creation and delivery	349,496	89,969	12,844	452,309	48,057	50,518	550,884
Office and occupancy	45,039	33,829	20,960	99,828	7,782	13,541	121,151
Outside services and professional fees	32,932	11,987	9,017	53,936	1,247	52,514	107,697
Other fundraising fees						39,051	39,051
Bank fees	8,822			8,822	55	23,853	32,730
Other	17,259	13,397	9,581	40,237	12,420	4,092	56,749
Amortization	37,282			37,282		5,907	43,189
	<u>\$ 1,071,111</u>	<u>\$ 645,636</u>	<u>\$ 280,957</u>	<u>\$ 1,997,704</u>	<u>\$ 181,947</u>	<u>\$ 332,303</u>	<u>\$ 2,511,954</u>

See Notes to Financial Statements

POSITIVE FUTURES NETWORK dba YES! MEDIA

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018

Cash Flows from Operating Activities	
Change in net assets	\$ (745,773)
Adjustments to reconcile change in net assets to net cash flows from operating activities	
Amortization	43,189
Changes in operating assets or liabilities	
Grants receivable	765,000
Contributions receivable	(84,728)
Inventory	14,568
Prepaid rent	(8,150)
Deposit	(8,000)
Accounts payable	27,169
Accrued payroll	8,156
Deferred revenue	(7,055)
	<hr/>
Net cash flows from operating activities	4,376
Cash Flows from Investing Activities	
Purchase of certificates of deposit	(3,415)
Purchase of software and website development	(74,125)
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Net cash flows from investing activities	(77,540)
	<hr/>
Net change in cash and cash equivalents	(73,164)
Cash and Cash Equivalents, beginning of year	<hr/> 863,006
Cash and Cash Equivalents, end of year	<hr/> <hr/> \$ 789,842

See Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

Note 1. Organization and Significant Accounting Policies

Positive Futures Network dba YES! Media ("YES!") is a nonprofit, independent publisher of solutions journalism. Through rigorous reporting on the positive ways that communities are responding to social problems, and insightful commentary that sparks constructive discourse, YES! inspires people to build a just, sustainable, and compassionate world. Founded in 1996, it helped drive the modern "solutions journalism" movement, covering the communities, ideas, and initiatives working to build a better world. YES! is ad-free and reader-supported, funded by subscriptions and donations from individuals and foundations. It is nonpartisan and governed by a Board of Directors made up of journalists, issue experts, and community leaders. YES! publishes stories daily online at yesmagazine.org and other social media, and publishes a quarterly print magazine. YES! for Teachers education outreach program provides free classroom-ready materials for teaching about social and climate justice to middle schools, high schools, and universities across the country and hosts a national student writing competition every school quarter.

Financial Statement Presentation

YES! reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Contributions that are received are recorded in one of these two categories depending on the existence and/or nature of any donor restrictions.

Net Assets without Donor Restrictions

Some net assets without donor restrictions consist of funds that are either designated for a specific program or purpose by YES!'s Board of Directors. Net assets without donor restrictions consist of the following as of December 31, 2018:

Board designated - reserve fund	\$	275,555
Board designated - Fund for the Future		147,849
Board designated - Fran Korton Legacy Fund		67,745
Undesignated		222,553
		<hr/>
	\$	713,702
		<hr/> <hr/>

Net Assets with Donor Restrictions

Net assets with donor restrictions are temporary in nature and consist of unexpended contributions restricted for particular programs or time periods. Net assets with temporary donor restrictions are transferred to net assets without donor restrictions as expenditures are incurred for the restricted programs or time restrictions are met. Net assets with donor restrictions are as follows:

Time-restricted	\$	541,900
Purpose-restricted - staff support		60,000
		<hr/>
	\$	601,900
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Cash and Cash Equivalents

YES! considers all short-term investments with an original maturity of three months or less to be cash equivalents. YES! maintains its cash and cash equivalents in bank accounts that may exceed federally insured limits at times during the year.

Certificates of Deposit

Certificates of deposit are recorded at cost plus accrued interest. Certificates of deposit at December 31, 2018, have maturity dates between March and November 2020, and therefore have been classified as noncurrent assets.

Grants and Contributions Receivable

Grants and contributions are recognized when the unconditional pledge is received. Current pledges are recognized at their face amounts less an allowance for doubtful accounts, if any. Long-term pledges are recognized at fair value (at the time of donation) and are measured at the present value of estimated cash flows. In arriving at fair value, the promises to give are discounted using an estimated market rate, which includes a present value discount rate and an estimated rate for an allowance for doubtful accounts. At December 31, 2018, no discount was recorded as management determined that the discount would be immaterial to these financial statements.

One organization's pledge represented 46% of grants and contributions receivable at December 31, 2018. One organization's grant represented 27% of grants and contributions revenue for the year ended December 31, 2018.

Grants and contributions receivable consist of the following at December 31, 2018:

Receivable in less than one year	\$	440,223
Receivable in one to five years		102,200
		<hr/>
	\$	542,423
		<hr/> <hr/>

Grants and contributions receivable are recorded in the statement of financial position as follows at December 31, 2018:

Grants receivable	\$	290,000
Contributions receivable		150,223
Contributions receivable, noncurrent		102,200
		<hr/>
	\$	542,423
		<hr/> <hr/>

Subscription Income and Deferred Revenue

Subscription income is recognized as each print issue is mailed. Subscription fees are typically received in advance for a certain number of print issues and are considered to be deferred revenue until YES! publishes and mails the magazine.

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of donation. Equipment with an original purchase price greater than \$2,500 is capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which is typically three to five years. The cost of repairs and maintenance is charged to expense as incurred.

Software and Development Costs

YES! has capitalized costs associated with its customer and donor database, as well as the development of its online webstore, which were both placed in service in 2018 for a total of \$215,941. In 2018, YES! began work on redeveloping its website, including adding additional features to the webstore, but these have not yet been placed in service. At December 31, 2018, these costs totaled \$74,125. It is anticipated that the website and webstore features will be completed in 2019. Costs are amortized on a straight-line basis over the estimated useful life of five years. Amortization expense related to these assets was \$43,189.

Inventory

Items in inventory include previously issued magazines and are stated at lower of cost (first-in, first-out) or net realizable value. Generally, articles in previously issued magazines are not time-sensitive, so older issues are regularly sold. The costs associated with the sales of magazines are included in content and marketing creation and delivery in the statement of functional expenses.

Related Party Transactions

In addition to fiscal oversight and strategic leadership, YES! receives financial support from its Board of Directors and entities with which they are affiliated. This support is provided during the normal course of business and is recorded as grants and individual contributions on the statement of activities.

Federal Income Taxes

The Internal Revenue Service has recognized YES! as exempt from federal income taxes under provision of Section 501(a) of the Internal Revenue Code as an entity described in Section 501(c)(3) and not as a private foundation.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Occupancy, office expenses, information technology (computers, network, and computer support) expenses, and staff professional development and support are allocated based on the time that employees spend in different programs or supporting functions. The editorial program and general salaries, wages, benefits, and payroll taxes are also allocated on a time basis.

In addition, some information technology expenses (database) are allocated based on number of records for different types of usage, fundraising versus magazine subscription (program).

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures 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.

Subsequent Events

YES! has evaluated subsequent events through the date these financial statements were available to be issued, which was September 17, 2019.

Note 2. Liquidity and Availability of Financial Assets

YES! strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures. Financial assets in excess of daily cash requirements are invested in certificates of deposit, money market funds, and other short-term investments.

The following table reflects YES!'s financial assets as of December 31, 2018, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of internal board designations. Amounts not available include board-designated special projects funds and other legacy funds that are intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. YES! also maintains certificates of deposit that are scheduled to mature in 2020 and can be liquidated should the need arise. Amounts not available to meet general expenditures within one year also may include net assets with donor restrictions. There were no net assets with donor restrictions that were not available for use in general operations as of December 31, 2018.

Financial assets at year-end	
Cash and cash equivalents	\$ 789,842
Grants and contributions receivable	542,423
	<hr/>
	1,332,265
Contributions receivable over one year	(102,200)
Board-designated net assets	(491,149)
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Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 738,916</u></u>

Note 3. Lease Commitments

YES! leases office space in Seattle under a noncancelable lease that expires on October 31, 2021. Rent expense incurred for the year ended December 31, 2018, was \$21,090.

YES! also leases office space in Bainbridge Island under a noncancelable lease that expires on March 31, 2020. Rent expense incurred for the year ended December 31, 2018, was \$39,025.

Related minimum future rental commitments on these leases are as follows for the years ending December 31:

2019	\$	113,280
2020		103,574
2021		<u>84,872</u>
	\$	<u><u>301,726</u></u>