Positive Futures Network
dba YES! Media

Financial Statements
Years Ended December 31, 2019 and 2018

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Contents

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Independent Auditor's 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, 2019, 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 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.

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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, 2019, 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 of America.

Other Matter – Prior-Period Financial Statements

The financial statements of Positive Futures Network dba YES! Media as of and for the year ended December 31, 2018, were audited by Peterson Sullivan LLP ("PS"), whose partners and professional staff joined BDO USA, LLP as of November 1, 2019, and has subsequently ceased operations. PS expressed an unmodified opinion on those financial statements in their report dated September 17, 2019.

BDO USA, LLP

June 4, 2020

Financial Statements

Positive Futures Network
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Statements of Financial Position

December 31,		**2019**		2018
Assets				
Current Assets				
Cash and cash equivalents	$	**480,864**	$	789,842
Certificates of deposit		**238,853**		-
Grants receivable		**360,000**		290,000
Contributions receivable		**137,974**		150,223
Inventory		**18,087**		22,251
Prepaid rent		**9,600**		8,150
Deposit		**8,000**		-
Total Current Assets		**1,253,378**		1,260,466
Certificates of deposit		**-**		233,637
Deposit		**-**		8,000
Grants receivable, noncurrent, net of discount		**344,557**		-
Contributions receivable, noncurrent		**129,100**		102,200
Software and development costs, net		**239,378**		246,877
Total Assets	**$**	**1,966,413**	$	1,851,180
Liabilities and Net Assets				
Current Liabilities				
Accounts payable	$	**34,258**	$	58,665
Accrued payroll		**60,225**		44,878
Subscription contract liability		**363,669**		432,035
Total Liabilities		**458,152**		535,578
Net Assets				
Without donor restrictions		**536,630**		713,702
With donor restrictions		**971,631**		601,900
Total Net Assets		**1,508,261**		1,315,602
Total Liabilities and Net Assets	**$**	**1,966,413**	$	1,851,180

See accompanying notes to financial statements.

Positive Futures Network
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Statements of Activities

Years Ended December 31,	2019 Without Donor Restrictions	2019 With Donor Restrictions	2019 Total	2018 Without Donor Restrictions	2018 With Donor Restrictions	2018 Total
Support and Revenue						
Grants	$ 566,500	$ 694,557	$ 1,261,057	$ 78,500	$ -	$ 78,500
Contributions	1,073,852	200,900	1,274,752	1,061,532	171,400	1,232,932
Subscriptions	524,385	-	524,385	448,711	-	448,711
Investment income	6,379	-	6,379	6,038	-	6,038
Net assets released from restrictions	525,726	(525,726)	-	970,926	(970,926)	-
Total Support and Revenue	2,696,842	369,731	3,066,573	2,565,707	(799,526)	1,766,181
Operating Expenses						
Program services	2,289,864	-	2,289,864	1,997,704	-	1,997,704
Management and general	174,292	-	174,292	181,947	-	181,947
Fundraising	409,758	-	409,758	332,303	-	332,303
Total Operating Expenses	2,873,914	-	2,873,914	2,511,954	-	2,511,954
Change in Net Assets	(177,072)	369,731	192,659	53,753	(799,526)	(745,773)
Net Assets, beginning of year	713,702	601,900	1,315,602	659,949	1,401,426	2,061,375
Net Assets, end of year	$ 536,630	$ 971,631	$ 1,508,261	$ 713,702	$ 601,900	$ 1,315,602

See accompanying notes to financial statements.

Positive Futures Network
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Statements of Functional Expenses

Year Ended December 31, 2019	Program Services: Print Magazine	Program Services: Online	Program Services: Outreach	Program Services: Total Program Services	Management and General	Fundraising	Total
Salaries, benefits, and taxes	$ 660,471	$ 657,606	$ 251,876	$ 1,569,953	$ 111,074	$ 247,881	$ 1,928,908
Content and marketing creation and delivery	324,654	72,195	-	396,849	-	73,962	470,811
Office and occupancy	50,690	57,067	23,504	131,261	7,469	22,362	161,092
Outside services and professional fees	25,811	19,207	31,721	76,739	32,559	13,270	122,568
Bank fees	14,873	-	-	14,873	294	20,539	35,706
Other	4,615	25,790	22,341	52,746	22,896	7,561	83,203
Other fundraising fees	-	-	-	-	-	13,613	13,613
Amortization	23,766	11,105	12,572	47,443	-	10,570	58,013
Total Expenses	$ 1,104,880	$ 842,970	$ 342,014	$ 2,289,864	$ 174,292	$ 409,758	$ 2,873,914

Year Ended December 31, 2018	Program Services: Print Magazine	Program Services: Online	Program Services: Outreach	Program Services: Total Program Services	Management and General	Fundraising	Total
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
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
Other fundraising fees	-	-	-	-	-	39,051	39,051
Amortization	37,282	-	-	37,282	-	5,907	43,189
Total Expenses	$ 1,071,111	$ 645,636	$ 280,957	$ 1,997,704	$ 181,947	$ 332,303	$ 2,511,954

See accompanying notes to financial statements.

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Statements of Cash Flows

Years Ended December 31,		**2019**		2018
Cash Flows from (for) Operating Activities				
Change in net assets	**$**	**192,659**	$	(745,773)
Adjustments to reconcile change in net assets to net cash flows from (for) operating activities:				
Amortization		**58,013**		43,189
Changes in operating assets or liabilities:				
Grants receivable		**(414,557)**		765,000
Contributions receivable		**(14,651)**		(84,728)
Inventory		**4,164**		14,568
Prepaid rent		**(1,450)**		(8,150)
Deposit		**-**		(8,000)
Accounts payable		**(24,407)**		27,169
Accrued payroll		**15,347**		8,156
Subscription contract liability		**(68,366)**		(7,055)
Net Cash Flows from (for) Operating Activities		**(253,248)**		4,376
Cash Flows for Investing Activities				
Purchase of certificates of deposit		**(5,216)**		(3,415)
Purchase of software and website development		**(50,514)**		(74,125)
Net Cash Flows for Investing Activities		**(55,730)**		(77,540)
Net Change in Cash and Cash Equivalents		**(308,978)**		(73,164)
Cash and Cash Equivalents, beginning of year		**789,842**		863,006
Cash and Cash Equivalents, end of year	**$**	**480,864**	$	789,842

See accompanying notes to financial statements.

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 advertisement-free, reader-supported, and is funded by subscriptions and donations from individuals and foundations. It is nonpartisan and is 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. Through its outreach and engagement efforts, YES! introduces its audience to fresh perspectives on the possibilities for social change, and encourages people to discuss, share, and build upon innovative ideas in their own communities.

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 designated for a specific program or purpose by YES!'s Board of Directors. Net assets without donor restrictions consist of the following:

December 31,		**2019**		2018
Board designated - Reserve fund	$	**230,787**	$	275,555
Board designated - Fund for the Future		**147,849**		147,849
Board designated - Fran Korton Legacy Fund		**68,055**		67,745
Undesignated		**89,939**		222,553
Total Net Assets without Donor Restrictions	$	**536,630**	$	713,702

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:

December 31,		**2019**		2018
Time-restricted	$	**971,631**	$	541,900
Purpose-restricted - staff support		**-**		60,000
Total Net Assets with Donor Restrictions	$	**971,631**	$	601,900

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 have maturity dates between March and November 2020, and have therefore been classified as current assets at December 31, 2019, and noncurrent assets at December 31, 2018.

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, 2019, the discount rate used was 1.58% and was applied to grants receivable. Management determined that the discount for contributions receivable would be immaterial to these financial statements. At December 31, 2018, no discount was recorded as management determined that the discount would be immaterial to these financial statements. Amortization of the discount is included in grants revenue in the statements of activities.

One organization’s pledge represented 72% and 46% of grants and contributions receivable at December 31, 2019 and 2018, respectively. One organization’s grant represented 41% and 27% of grants and contributions revenue for the years ended December 31, 2019 and 2018, respectively.

Grants and contributions receivable consist of the following:

December 31,		**2019**		2018
Receivable in less than one year	**$**	**497,974**	$	440,223
Receivable in one to five years		**479,100**		102,200
		977,074		542,423
Less: Discount on long-term grants receivable		**(5,443)**		-
Total	**$**	**971,631**	$	542,423

Grants and contributions receivable are recorded in the statements of financial position as follows:

December 31,		**2019**		2018
Grants receivable	$	**360,000**	$	290,000
Grants receivable, noncurrent, net of discount		**344,557**		-
Contributions receivable		**137,974**		150,223
Contributions receivable, noncurrent		**129,100**		102,200
Total	$	**971,631**	$	542,423

Subscription Revenue and Subscription Contract Liability

In general, a contract with a customer is established when both parties have approved the contract and are committed to perform their obligations, the rights of the parties are identified, payment terms are identified, the contract has commercial substance, and collectibility of consideration is probable.

YES!'s contracts with customers do not include significant financing components or any variable consideration. YES! does not have any significant commissions or costs directly incurred to obtain customer contracts. There are no significant judgments made by management.

YES! primarily sells magazines to consumers through subscriptions. Each copy of a magazine is determined to be a distinct performance obligation that is satisfied when the publication is sent to the customer. The majority of YES! subscriptions are prepaid at the time of the order. Subscriptions may be canceled at any time for a refund of the price paid for remaining issues. As the contract may be canceled at any time for a full refund of the unserved copies, the contract term is determined to be on an issue-to-issue basis as these contracts do not have substantive termination penalties. Revenues from subscriptions are deferred and recognized as subscribers are served and is YES!'s only significant contract liability. The transaction price for each subscription is set at the time of purchase, but the price can vary over the course of time. As such, YES! allocates the transaction price according to the number of issues purchased by the customer and uses the average transaction price and the number of issues sent to determine the appropriate revenue to recognize.

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 $234,541. In 2018, YES! began work on redeveloping its website, including adding additional features to the webstore, and completed this project in 2019, for a total cost of $106,038. Costs are amortized on a straight-line basis over the estimated useful life of five years. Amortization expense related to these assets was $58,013 and $43,189 for the years ended December 31, 2019 and 2018, respectively.

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 statements 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 statements 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 of America 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.

Recent Accounting Pronouncement Adopted

During the year ended December 31, 2019, YES! adopted the provisions of Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The pronouncement was issued to clarify the principles for recognizing revenue, and the core principle of the guidance is that an entity shall recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The following five steps are applied to achieve that core principle:

Step 1: Identify the contract with the customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the organization satisfies a performance obligation

The ASU only applies to earned revenue, so it is only applicable to YES!'s subscription income. Revenue from grants and contributions, and investment income is not covered by this ASU. The ASU has been applied retrospectively to all periods presented, with no impact to the change in net assets or total net assets.

Subsequent Events

YES! has evaluated subsequent events through the date these financial statements were available to be issued, which was June 4, 2020.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on YES!'s financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, YES! is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief, and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions, and technical corrections to tax depreciation methods for qualified improvement property. It also appropriated funds for the SBA Paycheck Protection Program loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by COVID-19. YES! continues to examine the impact that the CARES Act may have on its business. Currently, YES! is unable to determine the impact that the CARES Act will have on its financial condition, results of operations, or liquidity.

In order to ensure the continued financial stability of YES!, on April 29, 2020, YES! issued a note payable to a bank under the Paycheck Protection Program offered by the Small Business Administration totaling $319,700. The proceeds from the note will be used to retain current staff. The note payable incurs interest at 1.0% and is unsecured. The principal of the note is forgivable if the proceeds are spent on qualified costs during the 8-week period following the date the note is issued. Qualified costs are considered as 75% of the loan amount on payroll costs, and 25% on non-payroll costs including rent and utilities. Interest payments are deferred for the first six-months of the note period and are not forgivable. Should any portion of the principal of the note not meet the forgiveness provisions, the principal and interest will be repayable monthly over an 18-month amortization period starting November 2020 through maturity in April 2022.

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, 2019 and 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, 2019 or 2018.

December 31,	**2019**	2018
Financial Assets at Year-End		
Cash and cash equivalents	**$ 480,864**	$ 789,842
Grants and contributions receivable	**971,631**	542,423
	1,452,495	1,332,265
Grants and contributions receivable over one year	**(473,657)**	(102,200)
Board-designated net assets	**(446,691)**	(491,149)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	**$ 532,147**	$ 738,916

3. Lease Commitments

YES! leases office space in Seattle under a lease that was terminated by the landlord effective May 31, 2020. Rent expense incurred for the years ended December 31, 2019 and 2018, was $102,048, and $21,090, respectively.

YES! also leases office space in Bainbridge Island under a lease that expired on March 31, 2020, and continues month-to-month. Rent expense incurred for the years ended December 31, 2019 and 2018, was $16,800, and $39,025, respectively.

Future minimum rents for these leases for the year ending December 31, 2020 total $45,400.