CENTER FOR INVESTIGATIVE REPORTING, INC.

FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION

For the Year Ended
December 31, 2011
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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Center for Investigative Reporting, Inc.

I have audited the accompanying statement of financial position of Center for Investigative Reporting, Inc. (Center) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center’s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Investigative Reporting, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule of expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subject to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

August 3, 2012
CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2011

ASSETS

Current assets:
  Cash (Note Two) $ 1,232,919
  Future Fund cash (Notes Two, Four, Seven and Eight) 70,000
  Accounts receivable 99,559
  Grants receivable 2,700,000
  Interfund receivable (Note Four) 148,125
  Prepaid expenses 46,719

  Total current assets 4,297,322

Property and equipment, less accumulated depreciation and amortization (Note Three) 103,988

Other assets:
  Deposits 12,533
  Future Fund (Notes Two, Four, Seven and Eight) 628,264

  Total other assets 640,797

  Total assets $ 5,042,107
LIABILITIES AND NET ASSETS

Current liabilities:
   Accounts payable  $ 54,099
   Payroll liabilities:
      Accrued vacation  105,085
      Other  32,768
      Fiscal sponsorships payable  55,214
      Other  5,946
   Total current liabilities  253,112

Commitments and contingencies (Notes Four, Five and Ten)

Net assets:
   Unrestricted  258,818
   Temporarily restricted (Notes Four, Seven and Eight)  4,530,177
   Total net assets  4,788,995

   Total liabilities and net assets  $ 5,042,107

See accompanying notes to financial statements.
CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2011

Changes in unrestricted net assets:

Unrestricted revenue and support:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising</td>
<td>$8,213</td>
</tr>
<tr>
<td>Content fees</td>
<td>288,196</td>
</tr>
<tr>
<td>Contributions</td>
<td>286,651</td>
</tr>
<tr>
<td>Grants</td>
<td>1,770,130</td>
</tr>
<tr>
<td>Interest income</td>
<td>2,845</td>
</tr>
<tr>
<td>Royalties</td>
<td>10,064</td>
</tr>
<tr>
<td>Other</td>
<td>8,299</td>
</tr>
</tbody>
</table>

Unrestricted revenue and support 2,374,398

Net assets released from restrictions (Notes Four and Eight):

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purpose restrictions accomplished</td>
<td>2,262,820</td>
</tr>
</tbody>
</table>

Total net assets released from restrictions 2,262,820

Total unrestricted revenue and support 4,637,218

Expenses:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program services</td>
<td>3,946,947</td>
</tr>
<tr>
<td>General and administrative</td>
<td>232,100</td>
</tr>
<tr>
<td>Fund development</td>
<td>423,547</td>
</tr>
</tbody>
</table>

Total expenses 4,602,594

Increase in unrestricted net assets 34,624

See accompanying notes to financial statements.
CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended December 31, 2011

Changes in temporarily restricted net assets:
Contributions (Note Nine) 32,925
Grants 3,313,539
Future Fund earnings (Note Four) 213
Unrealized loss in value of security (Note Nine) (24,800)
Net assets released from restrictions (Notes Four and Eight) (2,262,820)

Increase in temporarily restricted net assets 1,059,057

Increase in net assets 1,093,681

Net assets, beginning of year 3,695,314

Net assets, end of year $ 4,788,995

See accompanying notes to financial statements.
CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

Cash flows from operating activities:
Increase in net assets $ 1,093,681

Adjustments to reconcile change in net assets to net cash used by operating activities:
   Depreciation 33,840
   (Increase) decrease in assets:
      Accounts receivable (51,534)
      Grants and contributions receivable (1,586,098)
      Employee advances 3,149
      Interfund receivable (77,112)
      Prepaid expenses 12,317
      Deposits (250)
      Future Fund (213)
   Increase (decrease) in liabilities:
      Accounts payable (14,277)
      Accrued vacation 26,376
      Other payroll liabilities 32,768
      Fiscal sponsorships payable (40,300)
      Other (11,704)
   Total adjustments (1,673,038)

Net cash used by operating activities (579,357)

Cash flows from financing activities:
   Future Fund withdrawal (Note Four) 70,000

   Net cash provided by financing activities 70,000

Cash flows from investing activities:
   Purchases of property and equipment, paid in cash (46,963)

   Net cash used by investing activities (46,963)

Net decrease in cash (556,320)

Cash and cash equivalents, beginning of year 1,859,239

Cash and cash equivalents, end of year $ 1,302,919

See accompanying notes to financial statements.
CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2011

NOTE ONE -- Summary of significant accounting policies

Business description

Founded in 1977, the Center for Investigative Reporting, Inc. (Center) is the nation's oldest nonprofit investigative journalism organization. The Center produces in-depth multimedia reporting that holds government, corporations and others in power accountable for their actions. The Center distributes its work through hundreds of news outlets and engages the public so that its work has maximum impact.

Cash and cash equivalents

Cash and cash equivalents include all cash exclusive of Future Fund cash held for long-term purposes.

Property and equipment and depreciation

Property and equipment is stated at cost. Expenditures in excess of $1,000 are capitalized. Depreciation is provided using the straight-line method of depreciation over the three to five-year estimated useful lives of furniture and equipment and software. Leasehold improvements are being amortized over the respective terms of the leases.

Revenue and support

The Center reports receipts of revenue and support as restricted if donor stipulations limit the use of the assets received. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. When restrictions are satisfied in the same accounting period as receipt of the contribution, the Center reports both the revenue and the related expense in the unrestricted net assets class.

Contributions and grants are recognized when the donor makes an unconditional promise to give.

Costs incurred on uncompleted projects

Receipts of revenue and support and costs incurred on uncompleted projects are deferred until completion of the projects. A project is considered complete when all significant costs have been incurred and in the case of documentaries, when accepted by the co-producer or broadcast outlet. Costs include all direct material and labor costs and those indirect costs related to the project.
NOTE ONE -- Summary of significant accounting policies (continued)

Contributed services

The value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Taxes on income

The Center is a California nonprofit corporation, exempt from income taxes under Internal Revenue Code Section 501(c)(3) and the related section of the California Taxation and Revenue Code.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the amounts presented in the financial statements and the disclosure of contingent assets and liabilities, if any.

NOTE TWO -- Cash

The Center has deposits in an uninsured account and in amounts that exceed Federal Deposit Insurance Corporation limits.

NOTE THREE -- Property and equipment

Property and equipment is as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Furniture and equipment</td>
<td>$122,252</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>$31,461</td>
</tr>
<tr>
<td>Software</td>
<td>$34,035</td>
</tr>
<tr>
<td>Less accumulated depreciation and amortization</td>
<td>$187,748</td>
</tr>
<tr>
<td></td>
<td>(83,760)</td>
</tr>
<tr>
<td></td>
<td>$103,988</td>
</tr>
</tbody>
</table>
NOTE FOUR -- Future Fund

In 2004, the Center established the Future Fund. The Future Fund was funded by both grantor (Reva and David Logan Foundation) matching contributions and new contributions.

The matching grant agreement provides that annual withdrawals commencing December 2007 from the Future Fund account are limited to the maximum of $70,000. All withdrawals require the approval of two-thirds of the Center’s Board of Directors.

In December 2011, the Center’s Board of Directors unanimously approved the 2011 withdrawal.

All Future Fund earnings are required to be accumulated in the Future Fund.

The following assets are held in separate accounts (as required) by the Future Fund:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 796,294</td>
</tr>
<tr>
<td>Certificate of deposit</td>
<td>41,970</td>
</tr>
<tr>
<td>Security</td>
<td>8,125</td>
</tr>
<tr>
<td>Interfund payable</td>
<td>(148,125)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Less current portion</td>
<td>(70,000)</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$ 628,264</td>
</tr>
</tbody>
</table>
CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2011

NOTE FIVE -- Lease commitments

The Center relocated its Berkeley, California office facilities under a noncancellable lease agreement expiring in September 2014. The lease agreement provides for initial monthly minimum lease payments of $5,366 increasing annually to $9,825 over the lease term. The lease further provides for a five-year renewal option at fair market rent.

The Center leases its Sacramento, California office facilities under a month-to-month lease agreement. The lease agreement provides for monthly lease payments of $1,010.

Future minimum lease commitments are as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>$113,895</td>
</tr>
<tr>
<td>2013</td>
<td>$116,168</td>
</tr>
<tr>
<td>2014</td>
<td>$88,421</td>
</tr>
</tbody>
</table>

$ 318,484

Lease expense was $120,241.

NOTE SIX -- Employee benefit plan

The Center sponsors a Section 403(b) salary reduction plan (Plan) covering substantially all employees. The Plan provides for both voluntary employee and discretionary employer contributions.

Discretionary employer contributions of $35,464 were made for 2011.
NOTE SEVEN -- Temporarily restricted net assets

Temporarily restricted net assets are available for the following projects or purposes:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>California Watch:</td>
<td></td>
</tr>
<tr>
<td>Business Development</td>
<td>$48,625</td>
</tr>
<tr>
<td>Health Reporting</td>
<td>111,194</td>
</tr>
<tr>
<td>Heller</td>
<td>31,695</td>
</tr>
<tr>
<td>Other Funders and Projects</td>
<td>800,000</td>
</tr>
<tr>
<td>DHS 12</td>
<td>158,309</td>
</tr>
<tr>
<td>Digital Media Initiative:</td>
<td></td>
</tr>
<tr>
<td>Skoll Foundation</td>
<td>40,319</td>
</tr>
<tr>
<td>Other Funders and Projects</td>
<td>30,226</td>
</tr>
<tr>
<td>Dirty Business Outreach</td>
<td>2,526</td>
</tr>
<tr>
<td>Food Security</td>
<td>328,425</td>
</tr>
<tr>
<td>Future Fund</td>
<td>698,264</td>
</tr>
<tr>
<td>General Support</td>
<td>833,043</td>
</tr>
<tr>
<td>Goldensohn Fund</td>
<td>38,791</td>
</tr>
<tr>
<td>Ishiyama</td>
<td>399,610</td>
</tr>
<tr>
<td>Lloyd Fund</td>
<td>9,150</td>
</tr>
<tr>
<td>MacArthur Foundation Grant</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
</tr>
</tbody>
</table>

$4,530,177
NOTE EIGHT -- Net assets released from restrictions

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes or by the occurrence of other events specified by donors. Net assets released from restrictions are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Development</td>
<td>$ 126,918</td>
</tr>
<tr>
<td>California Watch:</td>
<td></td>
</tr>
<tr>
<td>Business Development</td>
<td>101,375</td>
</tr>
<tr>
<td>Evaluation</td>
<td>20,000</td>
</tr>
<tr>
<td>Health Reporting</td>
<td>218,426</td>
</tr>
<tr>
<td>Knight Grant</td>
<td>298,072</td>
</tr>
<tr>
<td>School Accountability Report Card</td>
<td>50,000</td>
</tr>
<tr>
<td>Other Funders and Projects</td>
<td>885,271</td>
</tr>
<tr>
<td>Carbon Watch</td>
<td>23,462</td>
</tr>
<tr>
<td>Digital Media Initiative</td>
<td>50,000</td>
</tr>
<tr>
<td>Dirty Business Outreach</td>
<td>33,648</td>
</tr>
<tr>
<td>Future Fund</td>
<td>70,000</td>
</tr>
<tr>
<td>General Support</td>
<td>200,000</td>
</tr>
<tr>
<td>Goldensohn Fund</td>
<td>1,846</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>158,452</td>
</tr>
<tr>
<td>Investigative News Network</td>
<td>25,000</td>
</tr>
<tr>
<td>Lloyd Fund</td>
<td>350</td>
</tr>
</tbody>
</table>

$ 2,262,820

NOTE NINE -- Contribution of security

In March 2011, the Center received a contribution of stock valued at $32,925. Typically, the Center sells stock contributions when received. However, upon advice received from the donor, the Center elected to hold the stock. Unfortunately, the stock experienced a sharp decline of $24,800 in value to $8,125 at December 31, 2011.

NOTE TEN -- Merger

On April 30, 2012, the Center merged with The Bay Citizen (a San Francisco based California not-for-profit organization).
NOTE ELEVEN -- Review of subsequent events

Management has evaluated subsequent events through July 19, 2012 which is the date the financial statements were available to be issued.
SUPPLEMENTARY INFORMATION
CENTER FOR INVESTIGATIVE REPORTING, INC.

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2011

<table>
<thead>
<tr>
<th></th>
<th>Program</th>
<th>General and Administrative</th>
<th>Fund Development</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting and auditing</td>
<td>$ -</td>
<td>$ 56,195</td>
<td>$ -</td>
<td>$ 56,195</td>
</tr>
<tr>
<td>Computer related expenses</td>
<td>33,861</td>
<td>1,729</td>
<td>4,475</td>
<td>40,065</td>
</tr>
<tr>
<td>Contractors</td>
<td>636,948</td>
<td>-</td>
<td>25,182</td>
<td>662,130</td>
</tr>
<tr>
<td>Depreciation</td>
<td>28,600</td>
<td>1,460</td>
<td>3,780</td>
<td>33,840</td>
</tr>
<tr>
<td>Event planning and expenses</td>
<td>21,593</td>
<td>-</td>
<td>10</td>
<td>21,603</td>
</tr>
<tr>
<td>Human resources and recruitment</td>
<td>-</td>
<td>10,010</td>
<td>-</td>
<td>10,010</td>
</tr>
<tr>
<td>Insurance</td>
<td>35,106</td>
<td>1,000</td>
<td>-</td>
<td>36,106</td>
</tr>
<tr>
<td>Legal</td>
<td>-</td>
<td>17,428</td>
<td>-</td>
<td>17,428</td>
</tr>
<tr>
<td>Occupancy</td>
<td>121,725</td>
<td>6,213</td>
<td>16,088</td>
<td>144,026</td>
</tr>
<tr>
<td>Office supplies and equipment</td>
<td>25,117</td>
<td>1,206</td>
<td>3,320</td>
<td>29,643</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>1,485</td>
<td>831</td>
<td>2,316</td>
</tr>
<tr>
<td>Postage, printing and photocopy</td>
<td>5,703</td>
<td>1,155</td>
<td>2,159</td>
<td>9,017</td>
</tr>
<tr>
<td>Project and production expenses</td>
<td>189,886</td>
<td>-</td>
<td>4,660</td>
<td>194,546</td>
</tr>
<tr>
<td>Public relations and promotion</td>
<td>57,162</td>
<td>-</td>
<td>9,593</td>
<td>66,755</td>
</tr>
<tr>
<td>Salaries and related expenses</td>
<td>2,591,932</td>
<td>132,279</td>
<td>342,566</td>
<td>3,066,777</td>
</tr>
<tr>
<td>Telephone and internet</td>
<td>38,025</td>
<td>1,940</td>
<td>5,026</td>
<td>44,991</td>
</tr>
<tr>
<td>Travel</td>
<td>161,289</td>
<td>-</td>
<td>5,857</td>
<td>167,146</td>
</tr>
</tbody>
</table>

$ 3,946,947 $ 232,100 $ 423,547 $ 4,602,594