



CENTER FOR INVESTIGATIVE REPORTING

Financial Statements

*For the Year Ended
December 31, 2013*

With Independent Auditors' Report

CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)

December 31, 2013

History

Since 1977, CIR has relentlessly pursued and revealed injustices that otherwise would remain hidden from the public eye. Today, we're upholding this legacy and looking forward, working at the forefront of journalistic innovation to produce important stories that make a difference and engage you, our audience, across the aisle, coast to coast and worldwide.

Mission

Our mission is to reveal injustice and abuse of power through the tools of journalism, to provide the public with the information needed to participate in democracy and bring about needed reforms.

Business

The Center for Investigative Reporting (CIR) conducts ongoing investigative reporting projects in areas such as the environment, criminal justice, money and politics, and government oversight. The reporting is then produced into multiple media formats and is published and broadcast on the organization's website and in newspapers, magazines, and books, and on radio, television and other news websites. CIR then uses social media, organizational collaborations, events, and print and web materials to distribute its reporting to communities most impacted by the information it uncovers, and to engage the public in seeking solutions to the problems on which it reports.

Center for Investigative Reporting - Board of Directors

<u>Name</u>	<u>Position</u>	<u>Name</u>	<u>Position</u>
Phil Bronstein	President/Chair	Susan Hirsch	Board Member
Jonathan Logan	Vice Chair	Pete Kim	Board Member
Jeff Ubben	Vice Chair	Jillian Manus	Board Member
Tom Lockard	Treasurer	Dan Noyes	Board Member
Susan Sachs	Secretary	Justin Nyweide	Board Member
Lowell Bergman	Board Member	Christian Selchau-Hansen	Board Member
David Boardman	Board Member	Gabriel Stricker	Board Member
Suzette Clarke	Board Member	David Weir	Board Member
Stephen Davis	Board Member	Howard Zack	Board Member

CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)
December 31, 2013

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INDEPENDENT AUDITORS' REPORT

**The Board of Directors
Center for Investigative Reporting, Inc.**

We have audited the accompanying financial statements of Center for Investigative Reporting, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2013 and 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the years 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 Center for Investigative Reporting, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

The prior year summarized comparative information has been derived from Center for Investigative Reporting, Inc.'s December 31, 2012 financial statements. In our report dated July 5, 2013, we expressed an unqualified opinion on those financial statements.

***Danville, California
May 5, 2014***

Regalia & Associates

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Financial Position
December 31, 2013 and 2012**

ASSETS	Dec. 31, 2013	Dec. 31, 2012
Current assets:		
Cash and cash equivalents	\$ 1,377,126	\$ 2,550,569
Restricted cash	83,442	61,693
Investments	502,490	2,094,822
Accounts receivable	592,287	110,245
Grants and pledges receivable (short-term, net of an allowance for doubtful accounts of \$32,571 at December 31, 2013)	1,986,429	1,850,500
Prepaid expenses and other current assets	139,843	106,286
Total current assets	4,681,617	6,774,115
Noncurrent assets:		
Grants and pledges receivable, net of discount	400,603	975,834
Deposits	57,302	43,399
Property, equipment and improvements, net	447,406	140,267
Total noncurrent assets	905,311	1,159,500
	\$ 5,586,928	\$ 7,933,615
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 425,943	\$ 99,951
Accrued payroll liabilities	398,527	279,411
Deferred Rent	28,975	-
Fiscal sponsorship liabilities	75,515	90,368
Total current liabilities	928,960	469,730
Net assets:		
Unrestricted	904,432	2,487,444
Temporarily restricted	3,753,536	4,976,441
Total net assets	4,657,968	7,463,885
	\$ 5,586,928	\$ 7,933,615

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2013**

(with Summarized Financial Information For the Year Ended December 31, 2012)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total Dec. 31, 2013	Total Dec. 31, 2012
<i>Changes in net assets:</i>				
Revenue and support:				
Contributed income:				
Contributions/donations	\$ 3,259,719	\$ 3,586,432	\$ 6,846,151	\$ 8,022,616
Grants	139,997	246,100	386,097	3,123,595
Change in discount for multi-year receivables	-	43,769	43,769	(68,166)
Net assets released from restrictions	5,099,206	(5,099,206)	-	-
Total contributed income	8,498,922	(1,222,905)	7,276,017	11,078,045
Earned income:				
Advertising	12,749	-	12,749	14,226
Content fees	357,258	-	357,258	320,265
Investment income	27,199	-	27,199	21,686
Unrealized losses on investments	(3,709)	-	(3,709)	(964)
Royalties	10,921	-	10,921	22,932
Fiscal Sponsorship	14,853	-	14,853	-
Gain on disposal of fixed assets	1,014	-	1,014	-
Other	24,310	-	24,310	11,850
Total earned income	444,595	-	444,595	389,995
 Total revenue and support	 8,943,517	 (1,222,905)	 7,720,612	 11,468,040
 Expenses:				
Program services	8,150,190	-	8,150,190	7,982,362
General and administrative	1,812,064	-	1,812,064	598,523
Development	564,275	-	564,275	212,265
 Total expenses	 10,526,529	 -	 10,526,529	 8,793,150
 Increase (decrease) in net assets	 (1,583,012)	 (1,222,905)	 (2,805,917)	 2,674,890
Net assets at beginning of year	2,487,444	4,976,441	7,463,885	4,788,995
Net assets at end of year	\$ 904,432	\$ 3,753,536	\$ 4,657,968	\$ 7,463,885

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Cash Flows
For the Years Ended December 31, 2012 and 2011**

	Dec. 31, 2012	Dec. 31, 2011
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (2,805,917)	\$ 2,674,890
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	80,603	70,837
Change in discount for multi-year receivables	(43,769)	68,166
Changes in:		
Accounts receivable	(482,042)	(10,686)
Grants and pledges receivable	483,071	(194,500)
Prepaid expenses and other current assets	(33,557)	(59,567)
Deposits	(13,903)	(30,866)
Accounts payable and accrued expenses	325,992	39,906
Accrued payroll liabilities	119,116	141,558
Deferred rent	28,975	-
Fiscal sponsorship liabilities	(14,853)	35,154
Cash provided by (used for) operating activities	(2,356,284)	2,734,892
<i>Investing activities:</i>		
Disposition (acquisition) of investments, net	1,592,332	(1,318,433)
Transfers involving restricted cash	(21,749)	8,307
Additions to property, equipment and improvements	(387,742)	(107,116)
Cash provided by (used for) investing activities	1,182,841	(1,417,242)
Increase (decrease) in cash and cash equivalents	(1,173,443)	1,317,650
Cash and cash equivalents at beginning of year	2,550,569	1,232,919
Cash and cash equivalents at end of year	\$ 1,377,126	\$ 2,550,569
<i>Additional cash flow information:</i>		
State filing taxes paid	\$ 150	\$ 150
Interest paid	\$ -	\$ -

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2013**

(with Summarized Financial Information For the Year Ended December 31, 2012)

	Programs	Management and General	Develop- ment	Total 2013	Total 2012
Accounting and auditing	\$ -	\$ 41,315	\$ -	\$ 41,315	\$ 75,713
Bad debt expense	-	33,483	-	33,483	31,176
Computer related expenses	14,404	41,283	2,031	57,718	58,425
Contractors	732,412	105,514	-	837,926	797,976
Depreciation	61,887	14,479	4,237	80,603	70,837
Event planning and expenses	4,376	285	2,931	7,592	36,363
Human resources and recruitment	1,423	27,637	100	29,160	37,586
Insurance	-	51,328	-	51,328	85,527
Legal	703	82,802	-	83,505	77,744
Occupancy	96,718	231,189	-	327,907	288,192
Office supplies and equipment	2,546	39,934	395	42,875	42,300
Other	4,844	28,121	63	33,028	11,449
Postage, printing and photocopy	27,983	7,123	2,227	37,333	23,800
Project and production expenses	599,508	-	3,682	603,190	436,750
Public relations and promotion	45,000	-	-	45,000	35,970
Reporter Grants	87,855	-	-	87,855	7,611
Salaries and related expenses	6,143,666	996,771	518,817	7,659,254	6,346,843
Telephone and internet	2,284	72,245	22	74,551	76,697
Travel	324,581	38,555	29,770	392,906	252,191
Totals	\$ 8,150,190	\$ 1,812,064	\$ 564,275	\$10,526,529	\$ 8,793,150

Notes to Financial Statements
December 31, 2013

1. Organization

Center for Investigative Reporting, Inc. (CIR) was incorporated in California 1977 as a nonprofit public benefit corporation. CIR believes journalism that moves citizens to action is an essential pillar of democracy. On April 30, 2012, CIR merged with the Bay Area News Project (the Bay Citizen) and all of the Bay Citizen's assets, liabilities and net assets were transferred to CIR effective May 1, 2012.

The mission of CIR is to reveal injustice and abuse of power through the tools of journalism, to provide the public with the information needed to participate in democracy and bring about needed reforms.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of CIR have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables and other liabilities.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958.205, *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASC 958.205, CIR is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

CIR considers all highly liquid investments with a maturity commitment of 90 days or less when acquired to be cash equivalents. CIR maintains its cash balances in high quality financial institutions, which at times may exceed federally insured limits. CIR has not experienced any losses in such accounts.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Property, Equipment, and Improvements

Property and equipment are valued at cost or, if donated, at fair market value on the date of donation. Depreciation is provided by use of the straight-line method over the estimated useful lives of the assets. The cost of property and equipment which exceeds a certain dollar threshold is capitalized and depreciated over the estimated useful life of each class of depreciable asset.

Fair Values

CIR follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that CIR could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2013. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented.

Net Assets

In accordance with accounting principles generally accepted in the United States of America, financial statements must present classes of net assets based on the following categories: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Grants and contributions are classified in the appropriate net asset category based on the absence or existence of donor-imposed restrictions that limit the use of the donated assets if they are designated as support for future periods or future projects when they are received.

CIR reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods. When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Permanently restricted net assets include those net assets that must be maintained in perpetuity in accordance with donor restrictions. The investment return from such assets may be used for purposes as specified by the donor or, if the donor has not specified a purpose, the income from such investments is not restricted and is included in unrestricted net assets. CIR had no permanently restricted net assets as of December 31, 2013 and 2012.

Unrestricted net assets include all of those donated assets that have no restrictions or limitations imposed on their use. The Board of Directors may elect certain unrestricted funds to be set aside as Board designated funds, which may not be spent without approval by the Board. No such funds were set-aside at December 31, 2013 and 2012.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Revenue and Support Recognition

CIR receives revenue from a variety of sources, including contributed income and royalties from published material.

CIR records contributions in accordance with the recommendations of ASC 958.605, *Revenue Recognition of Not-for-Profit Entities*. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions, as discussed below under "Contributions."

Contributions

Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in unrestricted net assets. CIR reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets or if they are designated as support for future periods.

When a donor's intended purpose is met or a time restriction expires, the temporarily restricted net asset is transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions in which the donor restrictions are never relieved are recorded as permanently restricted support.

Donor-restricted contributions where restrictions are met in the same reporting period in which they are contributed are reported as unrestricted support.

Donated property is recorded at the estimated fair value at the date of receipt. CIR reports gifts of property as unrestricted support unless explicit donor stipulations specify how the donated assets are to be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, CIR reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed Services and Costs

Contributed services and costs are reflected at the fair value of the contribution received in accordance with ASC 958.605.30-11. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, CIR is required to report information regarding its exposure to various tax positions taken by CIR and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that CIR has adequately evaluated its current tax positions and has concluded that as of December 31, 2013 CIR does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

CIR has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that CIR continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

CIR may periodically receive unrelated business income (such as sublease rental income, advertising income, etc.) requiring CIR to file separate tax returns under federal and state statutes. CIR also has certain transactions requiring the payment of value added taxes. Under such conditions, CIR calculates and accrues the applicable taxes.

Functional Allocation of Expenses

The costs of providing CIR's various programs and other activities have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking and savings accounts) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at December 31, 2013 and 2012:

	2013	2012
Bank checking accounts (noninterest-bearing)	\$ 1,372,922	\$ 1,540,234
Interest-bearing savings account	4,204	1,010,335
Total cash and cash equivalents	\$ 1,377,126	\$ 2,550,569

Savings and deposit accounts earn interest at rates ranging up to 0.10% per annum. At December 31, 2013, certain accounts exceeded the FDIC insured limit, resulting in \$332,944 in funds that were not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is satisfactorily strong and that CIR's financial position will not be compromised.

Notes to Financial Statements

4. Investments

Investments consist of the following at December 31, 2013 and 2012:

	2013		2012
Money market funds (noninterest-bearing)	\$ -	\$	698,348
Certificate of deposit	502,490		1,396,474
Total investments	\$ 502,490	\$	2,094,822

Money market funds are comprised of deposits in various banks. The certificate of deposit bears interest at the fixed rate of 2.13% per annum with a maturity date of March 26, 2016. All investments are classified as Level 1 assets.

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. CIR had no marketable assets classified as Level 2 or Level 3 at December 31, 2013.

5. Grants and Pledges Receivable

Grants and pledges receivable at December 31, 2013 are expected to be collected as follows:

Year ending December 31, 2014	\$ 2,019,000
Allowance for doubtful accounts	(32,571)
Total grants and pledges receivable - current	\$ 1,986,429
Year ending December 31, 2015	\$ 425,000
Less: discount applied to multi-year receivables	(24,397)
Total grants and pledges receivable - noncurrent	\$ 400,603

Grants and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.0% per annum. The discount related to the present value calculation is being accreted back into income over the estimated collection period of the grants and pledges receivable.

Notes to Financial Statements

6. Property, Equipment and Improvements

A summary of property, equipment and improvements is as follows at December 31, 2013 and 2012:

	2013	2012
Furniture, fixtures and equipment	\$ 255,004	\$ 151,138
Computers and software	138,561	107,920
Leasehold improvements	283,512	35,806
Subtotal	677,077	294,864
Less: accumulated depreciation	(229,671)	(154,597)
Total property, equipment and improvements (net)	\$ 447,406	\$ 140,267

Total depreciation expense amounted to \$80,603 and \$70,837 for the years ended December 31, 2013 and 2012, respectively, and is reflected on the statement of functional expenses. During the year ended December 31, 2013, CIR disposed of partially depreciated property and equipment with accumulated depreciation in the amount of \$5,529, resulting in a gain on disposition of \$1,014. There were no disposals during the year ended December 31, 2012.

7. Lease Commitments

CIR occupies its current corporate office space in Emeryville, California under a multi-year operating lease expiring March 31, 2019. During December 2013, CIR moved from its Berkeley location to Emeryville but continues to rent two suites in the Berkeley office until September 30, 2014. In connection with the new lease, CIR was provided with 2 ½ months of free rent. Accordingly, deferred rent of \$28,975 has been reflected on the statements of financial position at December 31, 2013.

Under all real estate leases, CIR is responsible for its proportionate share of building, maintenance and operating expenses which includes insurance and utilities. CIR is also obligated under several short and long-term operating lease agreements for various offices, office equipment, licensing, and subscription agreements.

A summary of all of CIR's lease agreements at December 31, 2013 is as follows:

<u>Description</u>	<u>Payment</u>	<u>Frequency</u>	<u>Lease Term</u>
Emeryville office lease	\$ 26,556	Monthly	63 months thru March 2019
Berkeley office leases	\$ 3,476	Monthly	Various thru September 2014
Sacramento office	\$ 1,052	Monthly	Month-to-month
Santa Ana office	\$ 400	Monthly	Month-to-month
Parking location	\$ 300	Monthly	Month-to-month
Copiers/Printer/Other	\$ 4,713	Monthly	Various thru February 2015

(continued)

Notes to Financial Statements

7. Lease Commitments *(continued)*

Occupancy expense amounted to \$327,907 and \$288,192 for the years ended December 31, 2013 and 2012, respectively. Minimum annual payments on all operating leases with written agreements extending beyond one year are as follows:

Year ending December 31, 2014	\$ 335,939
Year ending December 31, 2015	374,595
Year ending December 31, 2016	348,216
Year ending December 31, 2017	358,668
Year ending December 31, 2018	369,432
Thereafter	92,358

8. Temporarily Restricted Net Assets

CIR recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following as of December 31, 2013 and 2012:

	2013	2012
California Watch	\$ -	\$ 366,755
California Endowment	143,846	-
Carbon (Cap & Trade)	10,000	43,194
Child Nutrition	-	220,000
Climate Change - Agriculture	-	25,898
Department of Homeland Security	-	164,066
Digital Media	32,158	153,927
Food Security	91,715	126,707
Future Fund	558,316	628,316
General Support/Other	2,534,126	2,113,241
Ishiyama	-	68,296
Lloyd Fund	-	-
MacArthur Foundation for Effective and Creative Institutions	322,772	673,890
Youth Speaks	85,000	13,000
You Tube-Knight	-	447,317
Discount applied to multi-year receivables	(24,397)	(68,166)
Total temporarily restricted net assets (net)	\$ 3,753,536	\$ 4,976,441

During the years ended December 31, 2013 and 2012, contributions of temporarily restricted net assets amounted to \$3,832,532 and \$4,285,426, respectively. Temporarily restricted net assets released from restriction amounted to \$5,099,206 and \$3,770,996 for the years ended December 31, 2013 and 2012, respectively.

Notes to Financial Statements

9. Retirement Plan

CIR offers employees the opportunity for participation in a salary reduction retirement plan (the “Plan”) qualified under Internal Revenue Code Section 403(b). The Plan provides employees with the opportunity to defer a portion of their salary subject to annual statutory limitations. Employees must meet certain age and work requirements in order to be eligible to participate in the Plan. The Plan provides for discretionary employer contributions which amounted to \$97,674 and \$68,287 for the years ended December 31, 2013 and 2012, respectively.

10. In-Kind Contributions

During the year ended December 31, 2013, CIR was the recipient of in-kind contributions in the form of pro bono legal services. These services were in connection with prepublication and pre-broadcast review, access to public records, contract drafting and review, insurance issues, and the 2012 merger of The Bay Area News Project with the Center for Investigative Reporting. CIR has determined the estimated value of these professional legal services as follows:

Description	Services Provided	Estimated Value
Law Office of Judy Alexander	457 hours legal	\$ 159,950
Davis Wright Tremaine LLP	216 hours legal	92,103
McManis Faulkner	64 hours legal	35,200
Total value of pro bono legal services		\$ 287,253

The values of these contributions did not meet the criteria for recognition under ASC 958.605.30-11 *Revenue Recognition of Not-For-Profit Entities* and are therefore not reflected in the financial statements.

11. Compensated Absences (Accrued Vacation)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CIR is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the fiscal year. Accrued vacation liabilities amounted to \$262,877 and \$248,224 as of December 31, 2013 and 2012, respectively.

Notes to Financial Statements

12. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into contracts and future services, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Grant restrictions and donor conditions which obligate CIR to fulfill certain requirements as set forth in grant instruments, (b) Funding levels which vary based on factors beyond CIR's control, such as generosity of donors and general economic conditions, (c) Employment and service agreements with key management and operating personnel, and (d) Financial risks associated with funds on deposit at bank and investment brokerage accounts. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements. Certain current and prior costs of the grants and contracts are subject to audit and final acceptance by the granting agencies.

13. Business Merger

On March 27, 2012, CIR and the Bay Area News Project (Bay Citizen) agreed to merge operations. The California Attorney General's office approved the merger on April 30, 2012. The new merged organization produces local San Francisco Bay Area, California, national, and international investigative stories on every available media platform - from print to video, radio, and interactive data applications. The organization distributes its reporting widely, partnering with hundreds of news outlets across the country, and creates strategies for engaging its audience for impact.

14. Union Contract

In July of 2012, Bay Citizen newsroom employees voted to be represented by the Pacific Media Workers Guild. Other Bay Citizen employees, including engineers and employees involved in the business side of the operation, were not included. Subsequent to the vote, discussions began between management and the union about a future contract covering those employees. In negotiations with the Guild after the merger of CIR and Bay Citizen, it was agreed that the larger combined newsroom would take a new vote. On July 17, 2012, the newsroom employees voted against Guild representation.

15. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CIR has evaluated subsequent events through May 5, 2014, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which need to be disclosed in the financial statements.