



THE CENTER FOR INVESTIGATIVE REPORTING

Financial Statements

*For the Year Ended
December 31, 2017 and 2016*

With Independent Auditors' Report

THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)

December 31, 2017 and 2016

Mission

The mission of The Center for Investigative Reporting is to engage and empower the public through investigative journalism and groundbreaking storytelling that sparks action, improves lives and protects our democracy.

History

Founded in 1977, CIR is nationally respected for setting the highest journalistic standards, and for our signature approach to investigative reporting and collaboration. CIR partners with numerous other media organizations, prioritizes impact over exclusivity, engages with the public and tracks results. To reach a broad and diverse audience worldwide, we publish our stories online, as well as for print, television, radio/audio, video and live events.

Our work has been recognized for its excellence, groundbreaking creativity and impact. Recent awards include: a National Emmy Award for New Approaches to Current News Coverage, a George Foster Peabody Award, a Military Reporters and Editors Award, a Barlett & Steele Gold Award for Investigative Business Journalism, two Alfred I. DuPont-Columbia University Awards, a George Polk Award for Exemplary Achievement in Journalism, two IRE Awards for Multiplatform Journalism and an Edward R. Murrow Award for Investigative Reporting. We were a finalist for the Pulitzer Prize in 2012 and 2013 and a recipient of the 2012 MacArthur Award for Creative and Effective Institutions.

Business

CIR is among the most innovative, credible and relevant media organizations in the country. Our award-winning journalists hold the powerful accountable and reveal government fraud and waste of taxpayer funds, human rights violations, environmental degradation and threats to public safety. We consistently shine a bright light on injustice and protect the most vulnerable in our society.

Reveal – our website, public radio program, podcast and social media platform – is where we publish our multiplatform work. With PRX, CIR co-produces the nationally distributed Reveal radio show and podcast. Reveal features CIR’s reporting, as well as stories from public radio stations and a wide range of media partners, both nonprofit and commercial.

The Center for Investigative Reporting - Board of Directors

Name	Position	Name	Position
Phil Bronstein	Executive Chair	Peter Kim	Board Member
Roy Bahat	Vice Chair	Robert King	Board Member
Justin Nyweide	Finance Chair	Jon Logan	Board Member
Susan Sachs	Secretary	Tom Lockard	Board Member
Suzette Clarke	Board Member	Christian Selchau-Hansen	Board Member
Stephen Davis	Board Member	Gabriel Stricker	Board Member
Blye Faust	Board Member	Howard Zack	Board Member
William R. Hearst III	Board Member	Jeff Ubben	Board Member
Susan Hirsch	Board Member	Robert Rosenthal	Board Member

THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)
December 31, 2017 and 2016

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REGALIA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of The Center for Investigative Reporting, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2017 and 2016 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 The Center for Investigative Reporting, Inc. as of December 31, 2017 and 2016, 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 The Center for Investigative Reporting, Inc.'s December 31, 2016 financial statements. In our report dated April 7, 2017, we expressed an unqualified opinion on those financial statements.

**Danville, California
April 30, 2018**

Regalia & Associates

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Financial Position
December 31, 2017 and 2016**

ASSETS	2017	2016
Current assets:		
Cash and cash equivalents	\$ 918,816	\$ 297,430
Accounts receivable, net of allowance for doubtful accounts	84,782	115,421
Grants and pledges receivable	3,443,120	3,777,298
Prepaid expenses and other current assets	151,440	142,968
Total current assets	4,598,158	4,333,117
Noncurrent assets:		
Grants and pledges receivable, net of discount	3,770,384	3,346,216
Deposits	46,059	46,720
Property, equipment and improvements, net	205,783	207,488
Total noncurrent assets	4,022,226	3,600,424
	\$ 8,620,384	\$ 7,933,541
 LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 223,844	\$ 373,824
Accrued payroll liabilities	331,387	271,807
Deferred rent	45,304	68,935
Security deposit liability	4,942	4,942
Fiscal sponsorship liabilities	4,632	4,632
Notes payable	447,933	-
Total current liabilities	1,058,042	724,140
Net assets:		
Unrestricted deficit	(1,950,203)	(2,449,067)
Temporarily restricted	9,512,545	9,658,468
Total net assets	7,562,342	7,209,401
	\$ 8,620,384	\$ 7,933,541

CENTER FOR INVESTIGATIVE REPORTING, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2017

(with Summarized Financial Information For the Year Ended December 31, 2016)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total 2017	Total 2016
<i>Changes in net assets:</i>				
Revenue and support:				
Contributed income:				
Individual donations	\$ 2,176,973	\$ 550,000	\$ 2,726,973	\$ 1,802,528
Grants	2,176,119	8,451,017	10,627,136	7,815,959
Corporate Sponsorships	-	-	-	317,360
Change in discount for multi-year receivables	-	(25,832)	(25,832)	93,855
Net assets released from restrictions	9,121,108	(9,121,108)	-	-
Total contributed income	13,474,200	(145,923)	13,328,277	10,029,702
Earned income:				
Advertising	2,424	-	2,424	3,804
Content fees	182,913	-	182,913	169,038
Investment income	3	-	3	8
Realized gains (losses) on investment sales	(40)	-	(40)	272
Rental income	65,994	-	65,994	4,672
Royalties	2,934	-	2,934	2,737
Fiscal Sponsorship	-	-	-	5,344
Other	17,024	-	17,024	11,708
Total earned income	271,252	-	271,252	197,583
 Total revenue and support	 13,745,452	 (145,923)	 13,599,529	 10,227,285
Expenses:				
Program services	11,095,760	-	11,095,760	9,134,329
General and administrative	1,570,709	-	1,570,709	1,436,726
Development	580,119	-	580,119	524,325
 Total expenses	 13,246,588	 -	 13,246,588	 11,095,380
 Increase (decrease) in net assets	 498,864	 (145,923)	 352,941	 (868,095)
Net assets (deficit) at beginning of year	(2,449,067)	9,658,468	7,209,401	8,077,496
Net assets (deficit) at end of year	(1,950,203)	9,512,545	\$ 7,562,342	\$ 7,209,401

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016**

	2017	2016
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ 352,941	\$ (868,095)
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	165,127	162,808
Realized (gains) losses on investments	40	(272)
Change in discount for multi-year receivables	25,832	(93,855)
Changes in:		
Accounts receivable	30,639	(110,199)
Grants and pledges receivable	(115,862)	1,476,869
Prepaid expenses and other current assets	(8,472)	(30,300)
Deposits	661	40,900
Accounts payable and accrued expenses	(149,980)	121,635
Accrued payroll liabilities	59,580	(39,364)
Deferred rent	(23,631)	(13,488)
Security deposit liability	-	4,942
Fiscal sponsorship liabilities	-	(3,094)
Cash provided by operating activities	336,875	648,487
<i>Investing activities:</i>		
Additions to property, equipment and improvements	(163,422)	(66,499)
Cash used for investing activities	(163,422)	(66,499)
<i>Financing activities:</i>		
Proceeds from line of credit	900,000	-
Principal payments under line of credit	(900,000)	(375,000)
Proceeds from notes payable	447,933	-
Cash provided by (used for) financing activities	447,933	(375,000)
Increase in cash and cash equivalents	621,386	206,988
Cash and cash equivalents at beginning of year	297,430	90,442
Cash and cash equivalents at end of year	\$ 918,816	\$ 297,430
<i>Additional cash flow information:</i>		
State filing taxes paid	\$ 225	\$ 150
Interest paid	\$ 14,871	\$ 7,069

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2017**

(with Summarized Financial Information For the Year Ended December 31, 2016)

	Programs	Management and General	Develop- ment	Total 2017	Total 2016
Accounting and auditing	\$ -	\$ 14,635	\$ -	\$ 14,635	\$ 13,603
Bad debt expense	-	74,792	-	74,792	97,500
Computer related expenses	21,246	478	1,833	23,557	23,246
Contractors	1,274,014	5,031	400	1,279,445	709,088
Depreciation	123,845	24,769	16,513	165,127	162,808
Event planning and expenses	65,788	3,116	1,207	70,111	14,779
Human resources and recruitment	53,518	53,975	2,250	109,743	115,083
Insurance	137,618	27,524	18,349	183,491	112,609
Interest	-	14,871	-	14,871	7,069
Legal	33,150	220,642	-	253,792	235,184
Occupancy	430,279	86,056	57,371	573,706	558,308
Office supplies and equipment	30,812	6,163	4,108	41,083	31,176
Other	46,770	9,354	6,236	62,360	83,371
Postage, printing and photocopy	6,711	4,400	1,562	12,673	7,961
Project and production expenses	677,018	3,464	1,758	682,240	558,664
Public relations and promotion	80,704	6,000	-	86,704	21,000
Salaries and related expenses	7,440,530	922,437	428,308	8,791,275	7,847,056
Telephone and internet	44,450	55,061	1,718	101,229	99,095
Travel	629,307	37,941	38,506	705,754	397,780
Totals	\$ 11,095,760	\$ 1,570,709	\$ 580,119	\$ 13,246,588	\$ 11,095,380

Notes to Financial Statements
December 31, 2017 and 2016

1. Organization

The Center for Investigative Reporting, Inc. (CIR) was incorporated in California 1977 as a nonprofit public benefit corporation.

The mission of CIR is to engage and empower the public through investigative journalism and groundbreaking storytelling that sparks action, improves lives and protects our democracy.

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. There were no permanently restricted net assets at December 31, 2017 and 2016.

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 highly capitalized financial institutions, which at times may exceed federally insured limits. CIR has not experienced any losses in such accounts.

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.

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, 2017 and 2016. 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.

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, 2017 and 2016.

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, 2017 and 2016, 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, accrues, and remit the applicable taxes, if any.

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, 2017 and 2016:

	2017	2016
Bank checking accounts (noninterest-bearing)	\$ 881,912	\$ (54,605)
Interest-bearing accounts	36,904	352,035
Total cash and cash equivalents	\$ 918,816	\$ 297,430

Savings and deposit accounts earn interest at rates ranging from 0.01% to 0.10% per annum at December 31, 2017. At December 31, 2016, CIR had a large outstanding check resulting in an overdraft position. Sufficient funds were in the bank the following day to cover the deficit.

Notes to Financial Statements

4. Accounts Receivable

Accounts receivable consist of the following at December 31, 2017 and 2016:

	2017	2016
Accounts receivable	\$ 85,676	\$ 116,315
Allowance for doubtful accounts	(894)	(894)
Accounts receivable, net	\$ 84,782	\$ 115,421

Accounts receivable are reflected at fair value, which approximates the net realizable value. Management has established an allowance for doubtful accounts to recognize potentially uncollectible balances. Management has evaluated the receivables as of December 31, 2017 and determined that the \$894 allowance for doubtful accounts is sufficient to absorb the estimated loss exposure inherent in the portfolio. There were no bad debts recognized during the years ended December 31, 2017 and 2016 related to accounts receivable. Accounts receivable are classified as Level 2 hierarchy as of December 31, 2017 and 2016.

5. Grants and Pledges Receivable

Grants and pledges receivable are expected to be collected as follows:

	2017	2016
Year ending December 31, 2017	\$ -	\$ 3,777,298
Year ending December 31, 2018	3,443,120	1,550,000
Year ending December 31, 2019	3,000,000	1,000,000
Year ending December 31, 2020	1,000,000	1,000,000
Total grants and pledges receivable	7,443,120	7,327,298
Less: grants and pledges receivable due in current year	(3,443,120)	(3,777,298)
Less: discount applied to multi-year receivables	(229,616)	(203,784)
Total grants and pledges receivable - noncurrent	\$ 3,770,384	\$ 3,346,216

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.

The change in discount for multi-year receivables amounted to (\$25,832) and \$93,856 for the years ended December 31, 2017 and 2016, respectively. Bad debt expense related to grants and pledges receivable amounted to \$74,792 and \$97,500 during the year ended December 31, 2017 and 2016, respectively. Grants and pledges receivable are classified as Level 2 hierarchy as of December 31, 2017 and 2016.

Notes to Financial Statements

6. Fair Value Measurements

In accordance with fair value measurement accounting, CIR has classified certain current assets at December 31, 2017 as follows:

	Totals		Level 1		Level 2		Level 3
Accounts receivable	\$ 84,782	\$	-	\$	84,782	\$	-
Grants and pledges receivable	7,213,504		-		7,213,504		-
Deposits	46,059		-		-		46,059
Totals	\$ 7,344,345	\$	-	\$	7,298,286	\$	46,059

CIR has classified certain current assets at December 31, 2016 as follows:

	Totals		Level 1		Level 2		Level 3
Accounts receivable	\$ 115,421	\$	-	\$	115,421	\$	-
Grants and pledges receivable	7,123,514		-		7,123,514		-
Deposits	46,720		-		-		46,720
Totals	\$ 7,285,655	\$	-	\$	7,238,935	\$	46,720

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 1 at December 31, 2017 and 2016.

7. Property, Equipment and Improvements

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

	2017		2016
Furniture, fixtures and equipment	\$ 371,529	\$	371,529
Computers and software	322,417		256,719
Leasehold improvements	417,840		320,116
Subtotal	1,111,786		948,364
Less: accumulated depreciation	(906,003)		(740,876)
Total property, equipment and improvements (net)	\$ 205,783	\$	207,488

Total depreciation expense amounted to \$165,127 and \$162,808 for the years ended December 31, 2017 and 2016, respectively, and is reflected on the statement of functional expenses. There were no disposals during the years ended December 31, 2017 and 2016.

Notes to Financial Statements

8. Indebtedness and Related Party Transactions

Line of Credit

CIR has a \$1,000,000 revolving line of credit with First Republic Bank (subject to annual renewal) which is collateralized by the assets of CIR. The line of credit is subject to annual renewal each May. When utilized, the line of credit has a floating interest rate of prime plus 1.250% per annum on all outstanding balances with a minimum floor rate of 4.50% per annum. There were no outstanding balances on the line of credit as of December 31, 2017 and 2016.

Notes Payable

On October 17, 2017, CIR entered into unsecured loan agreements with five of its Board members. All notes payable accrue interest at the rate of 4.0% per annum, and have a maturity date of December 31, 2018. The maturity date may be extended to June 30, 2019 provided CIR gives notice to the lenders on or before December 31, 2018. The total balance of the notes payable, including accrued interest, amounted to \$447,933 as of December 31, 2017.

Interest expense related to all borrowings amounted to \$14,871 and \$7,069 for the years ended December 31, 2017 and 2016, respectively.

9. Lease Commitments

CIR occupies its current corporate office space in Emeryville, California under a multi-year operating lease expiring March 31, 2019. In connection with this lease, CIR received 2 ½ months of free rent. In accordance with ASC 820, *Leases*, CIR recognizes rent expense using the straight-line method and is amortizing the deferred rent of \$45,304 at December 31, 2017 over the remaining term of the lease. 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 office equipment, licensing, and subscription agreements. A summary of all CIR's lease agreements at December 31, 2017 is as follows:

<u>Description</u>	<u>Payment</u>	<u>Frequency</u>	<u>Lease Term</u>
Emeryville office lease	\$ 29,889	Monthly	63 months thru March 2019
Lexis Nexis	\$ 8,149	Monthly	Various thru January 2020
Office Equipment	\$ 382	Monthly	60 months thru March 2021

Occupancy expense amounted to \$573,706 and \$558,308 for the years ended December 31, 2017 and 2016, respectively. Minimum annual payments on all operating leases with written agreements extending beyond one year are as follows: \$471,993 due during the year ending December 31, 2018; \$199,105 due during the year ending December 31, 2019; \$13,131 due during the year ending December 31, 2020; and \$1,147 due during the year ending December 31, 2021.

Notes to Financial Statements

10. 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, 2017 and 2016:

	2017	2016
Newsroom	\$ 3,176,732	\$ 2,984,938
Glassbreaker Films	-	1,216,087
Consulting, Engagement and Events	905,429	1,169,227
Storyworks	50,000	-
Time restricted grants and donations	5,610,000	4,492,000
Discount applied to multi-year receivables	(229,616)	(203,784)
Total temporarily restricted net assets (net)	\$ 9,512,545	\$ 9,658,468

During the years ended December 31, 2017 and 2016, contributions of temporarily restricted net assets amounted to \$9,001,017 and \$6,351,822, respectively. Temporarily restricted net assets released from restriction amounted to \$9,121,108 and \$7,098,356 for the years ended December 31, 2017 and 2016, respectively. As disclosed in footnote 5, the change in the discount applied to multi-year receivables amounted to (\$25,832) and \$93,856 for the years ended December 31, 2017 and 2016, respectively.

11. 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 \$154,518 and \$127,279 for the years ended December 31, 2017 and 2016, respectively.

12. 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 statements of financial position based on hourly rates in effect at the end of the fiscal year. Accrued compensated absences amounted to \$288,207 and \$237,106 as of December 31, 2017 and 2016, respectively, and are included with accrued payroll liabilities on the statements of financial position.

Notes to Financial Statements

13. Related Party Transactions

Included in total grants and pledges receivable of \$7,213,504 and \$7,123,513 at December 31, 2017 and 2016, respectively, were receivables from related parties (principally Board members) which totaled \$1,000,000 and \$520,000, respectively. These balances account for approximately 14% and 7% of the total grants and pledges receivable balance as of December 31, 2017 and 2016, respectively.

Total contributed income received from related parties amounted to \$2,820,000 and \$2,910,000 of the total revenue for the year ended December 31, 2017 and 2016, respectively.

On October 17, 2017, CIR entered into unsecured loan agreements with five of its Board members. All notes payable accrue interest at the rate of 4.0% per annum and have a maturity date of December 31, 2018. The maturity date may be extended to June 30, 2019 provided CIR gives notice to the lender(s) on or before December 31, 2018. The total balance of the notes payable, including accrued interest, amounted to \$447,933 as of December 31, 2017.

Included in accounts payable and accrued expenses is \$18,891 and \$25,895 in employee expense reimbursements for the years ended December 31, 2017 and 2016, respectively.

14. 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.

15. Concentrations

At December 31, 2017, 47% of the accounts payable balance was due to one vendor and 72% of the grants and pledges receivable balance was due from four foundations. As of December 31, 2016, 51% of the accounts payable balance was due to three vendors and 38% of the grants and pledges receivable balance was due from one foundation.

16. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CIR has evaluated subsequent events through April 30, 2018, 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.