



THE CENTER FOR INVESTIGATIVE REPORTING

Financial Statements

*For the Year Ended
December 31, 2018*

With Independent Auditors' Report

THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)
December 31, 2018 and 2017

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 collaborates extensively with other media organizations, prioritizes impact over exclusivity, engages deeply with its audiences and tracks results. To reach a broad and diverse audience worldwide, we publish our stories online, as well as in print, television, radio/audio, video and through live events.

Our work has been recognized for its excellence, groundbreaking creativity and impact. Recent recognition includes National Emmy Awards, George Foster Peabody Awards, Alfred I. DuPont-Columbia University Awards, a Military Reporters and Editors Award, a Barlett & Steele Gold Award for Investigative Business Journalism, a George Polk Award for Exemplary Achievement in Journalism, and an Edward R. Murrow Award for Investigative Reporting, among many others. We were a finalist for the Pulitzer Prize in 2019, 2018, 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 platforms – is where we publish our multiplatform reporting. With PRX, CIR co-produces the nationally distributed Reveal radio show and podcast, now airing on almost 500 public radio stations.

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
		Dawn Porter	Board Member
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Blye Faust	Board Member	Gabriel Stricker	Board Member
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Susan Hirsch	Board Member	Howard Zack	Board Member

THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)
December 31, 2018 and 2017

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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 statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows 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 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.

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, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited The Center for Investigative Reporting, Inc.'s December 31, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 30, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Danville, California
April 8, 2019

Regalia & Associates

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Financial Position
December 31, 2018 and 2017**

ASSETS

	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 1,126,782	\$ 639,929
Restricted cash	208,904	278,887
Accounts receivable, net of allowance for doubtful accounts	218,696	84,782
Grants and contributions receivable	3,300,855	3,443,120
Prepaid expenses and other current assets	202,294	151,440
Total current assets	<u>5,057,531</u>	<u>4,598,158</u>
Noncurrent assets:		
Grants and contributions receivable, net of unamortized discount	1,319,634	3,770,384
Deposits	46,059	46,059
Property, equipment and improvements, net	137,191	205,783
Right of Use - Premises	2,390,726	-
Total noncurrent assets	<u>3,893,610</u>	<u>4,022,226</u>
	<u>\$ 8,951,141</u>	<u>\$ 8,620,384</u>

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable and accrued expenses	\$ 305,991	\$ 223,844
Accrued payroll liabilities	322,130	331,387
Deferred rent	11,614	45,304
Security deposit liability	6,242	4,942
Fiscal sponsorship liabilities	4,632	4,632
Notes payable	-	447,933
Lease payable - current portion	481,494	-
Total current liabilities	<u>1,132,103</u>	<u>1,058,042</u>
Lease payable - noncurrent portion	<u>1,909,232</u>	-
Total liabilities	<u>3,041,335</u>	<u>1,058,042</u>
Net assets:		
Without donor restrictions	132,594	(1,950,203)
With donor restrictions	5,777,212	9,512,545
Total net assets	<u>5,909,806</u>	<u>7,562,342</u>
	<u>\$ 8,951,141</u>	<u>\$ 8,620,384</u>

CENTER FOR INVESTIGATIVE REPORTING, INC.

Statement of Activities and Changes in Net Assets

For the Year Ended December 31, 2018

(with Summarized Financial Information For the Year Ended December 31, 2017)

<i>Changes in net assets:</i>	Without Donor Restrictions	With Donor Restrictions	Total 2018	Total 2017
Revenue and support:				
Contributed income:				
Individual donations	\$ 800,736	\$ -	\$ 800,736	\$ 2,726,973
Grants	1,936,363	5,625,096	7,561,459	10,627,136
Change in discount for multi-year receivables	-	149,250	149,250	(25,832)
Net assets released from restrictions	9,509,679	(9,509,679)	-	-
Total contributed income	12,246,778	(3,735,333)	8,511,445	13,328,277
Earned income:				
Content fees	211,060	-	211,060	182,913
Corporate Sponsorships	14,000	-	14,000	-
Realized losses on investment sales	(712)	-	(712)	(40)
Rental income	106,440	-	106,440	77,449
In kind donations	20,616	-	20,616	-
Other	41,124	-	41,124	10,930
Total earned income	392,528	-	392,528	271,252
Total revenue and support	12,639,306	(3,735,333)	8,903,973	13,599,529
Expenses:				
Program services	8,453,364	-	8,453,364	11,095,760
General and administrative	1,465,711	-	1,465,711	1,570,709
Development	637,434	-	637,434	580,119
Total expenses	10,556,509	-	10,556,509	13,246,588
Increase (decrease) in net assets	2,082,797	(3,735,333)	(1,652,536)	352,941
Net assets (deficit) at beginning of year	(1,950,203)	9,512,545	7,562,342	7,209,401
Net assets at end of year	\$ 132,594	\$ 5,777,212	\$ 5,909,806	\$ 7,562,342

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statements of Cash Flows
For the Years Ended December 31, 2018 and 2017**

	2018	2017
<i>Operating activities:</i>		
Increase (decrease) in net assets	\$ (1,652,536)	\$ 352,941
Adjustments to reconcile to cash provided by operating activities:		
Depreciation	107,150	165,127
Realized (gains) losses on investments	(712)	40
Change in discount for multi-year receivables	(149,250)	25,832
Changes in:		
Accounts receivable	(133,914)	30,639
Grants and contributions receivable	2,742,977	(115,862)
Prepaid expenses and other current assets	(50,854)	(8,472)
Deposits	-	661
Accounts payable and accrued expenses	82,147	(149,980)
Accrued payroll liabilities	(9,257)	59,580
Deferred rent	(33,690)	(23,631)
Security deposit liability	1,300	-
Cash provided by operating activities	903,361	336,875
<i>Investing activities:</i>		
Transfers involving restricted cash	69,983	(278,887)
Additions to property, equipment and improvements	(38,558)	(163,422)
Cash provided by (used for) investing activities	31,425	(442,309)
<i>Financing activities:</i>		
Proceeds from line of credit	-	900,000
Principal payments under line of credit	-	(900,000)
Proceeds from notes payable	-	447,933
Principal payments on notes payable	(447,933)	-
Cash provided by (used for) financing activities	(447,933)	447,933
Increase in cash and cash equivalents	486,853	342,499
Cash and cash equivalents at beginning of year	639,929	297,430
Cash and cash equivalents at end of year	\$ 1,126,782	\$ 639,929
<i>Additional cash flow information:</i>		
State filing taxes paid	\$ 225	\$ 225
Interest paid	\$ -	\$ 14,871

CENTER FOR INVESTIGATIVE REPORTING, INC.

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

(with Summarized Financial Information For the Year Ended December 31, 2017)

	Administrative Programs	and General	Develop- ment	Total 2018	Total 2017
Accounting and auditing	\$ -	\$ 13,850	\$ -	\$ 13,850	\$ 14,635
Bad debt expense	-	-	-	-	74,792
Computer related expenses	7,784	19,580	2,229	29,593	23,557
Contractors	620,972	58,123	7,830	686,925	1,279,445
Depreciation	80,362	16,073	10,715	107,150	165,127
Event planning and expenses	17,865	-	22,562	40,427	70,111
Human resources and recruitment	78,622	146,097	1,981	226,700	109,743
In kind expense	-	20,616	-	20,616	14,871
Insurance	108,114	21,623	14,415	144,152	183,491
Legal	-	73,177	-	73,177	253,792
Occupancy	444,268	88,854	59,236	592,358	573,706
Office supplies and equipment	17,869	3,574	2,383	23,826	41,083
Other	19,747	3,950	2,633	26,330	62,360
Postage, printing and photocopy	1,967	4,827	1,197	7,991	12,673
Project and production expenses	339,057	13,764	2,875	355,696	682,240
Public relations and promotion	12,047	6,074	1,819	19,940	86,704
Salaries and related expenses	6,330,033	883,804	497,610	7,711,447	8,791,275
Telephone and internet	10,914	73,492	-	84,406	101,229
Travel	363,743	18,233	9,949	391,925	705,754
Totals	\$ 8,453,364	\$ 1,465,711	\$ 637,434	\$ 10,556,509	\$ 13,246,588

Notes to Financial Statements
December 31, 2018 and 2017

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 presentation -The financial statements of CIR have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require CIR to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of CIR's management and the board of directors.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of CIR or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Measure of operations - The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CIR's ongoing program activities and related revenue streams (such as studio rental, licensing, and advertising. Nonoperating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended December 31, 2017, from which the summarized information was derived.

Notes to Financial Statements

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

Cash and cash equivalents - CIR's cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase, except for those amounts that are held in the investment portfolio which are invested for long-term purposes.

Concentrations of credit risk - Financial instruments that potentially subject CIR to concentrations of credit risk consist principally of cash and cash equivalents and investments. CIR maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CIR manages deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. To date, CIR has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members and foundations supportive of CIR's mission.

Receivables and Credit Policies - Accounts receivable consist primarily of noninterest-bearing amounts due for program fees and insurance reimbursements. CIR determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable.

Contributions Receivable - CIR records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities. CIR determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable.

Property, Equipment, and Improvements - CIR records property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 5 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities.

Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently. CIR reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. CIR has determined that no long-lived assets were impaired during the year ended December 31, 2018 and 2017, respectively.

Notes to Financial Statements

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

Fair value measurements – Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset.

US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CIR groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions, as more fully explained on page 6 under "Basis of presentation."

Notes to Financial Statements

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

Revenue and Revenue Recognition

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Donated Services and In-Kind Contributions - Contributed goods and services are recorded at fair value at the date of donation using available market-rate information.

Advertising Costs - Advertising costs are expensed as incurred and amounted to \$4,853 and \$2,424 during the years ended December 31, 2018 and 2017, respectively.

Functional expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited. Such allocations are determined by management on an equitable basis. Various common expenses (such as occupancy, compensation, office, etc.) have been allocated generally consistent with employee time allocation models.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of 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, and those differences could be material.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

Notes to Financial Statements

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

Income Taxes - CIR is organized as California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. CIR is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. CIR files an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS to report its unrelated business taxable income.

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.

Recent and Relevant Accounting Pronouncements - The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CIR has adjusted the presentation of these statements accordingly.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842) *Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by ASU No. 2018-01, ASU No. 2018-10, and ASU No. 2018-11.

The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statements of activities and changes in net assets.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Notes to Financial Statements

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:

	2018	2017
Bank checking accounts (noninterest-bearing)	\$ 1,126,782	\$ 603,025
Interest-bearing accounts	-	36,904
Total cash and cash equivalents	\$ 1,126,782	\$ 639,929

Savings and deposit accounts earn interest at rates ranging from 0.01% to 0.10% per annum at December 31, 2017. *Restricted Cash:* Restricted cash balances of \$208,904 and \$278,887 at December 31, 2018 and 2017, respectively, represent cash balances associated with donor restricted funds and are maintained in liquid money market or equity funds, which mature in three months or less.

4. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31 is as follows:

	Totals	Level 1	Level 2	Level 3
2018:				
Restricted cash	\$ 208,904	\$ 208,904	\$ -	\$ -
Accounts receivable	218,696	-	218,696	-
Grants and contributions receivable	4,620,489	-	3,300,855	1,319,634
	\$ 5,048,089	\$ 208,904	\$ 3,519,551	\$ 1,319,634
2017:				
Restricted cash	\$ 278,887	\$ 278,887	\$ -	\$ -
Accounts receivable	84,782	-	84,782	-
Grants and contributions receivable	7,213,504	-	3,443,120	3,770,384
	\$ 7,577,173	\$ 278,887	\$ 3,527,902	\$ 3,770,384

5. Accounts Receivable

Accounts receivable consist primarily of insurance and content programs at December 31:

	2018	2017
Accounts receivable	\$ 219,570	\$ 85,676
Allowance for doubtful accounts	(874)	(894).
Accounts receivable, net	\$ 218,696	\$ 84,782

Notes to Financial Statements

5. Accounts Receivable *(continued)*

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, 2018 and 2017 and determined that the \$874 and \$894 allowance for uncollectible accounts, respectively, is sufficient to absorb the estimated loss exposure inherent in the portfolio based on historical experience, an assessment of economic conditions, and a review of subsequent collections. There were no uncollectible accounts recognized during the years ended December 31, 2018 and 2017 related to accounts receivable.

6. Grants and Contributions Receivable

Unconditional promises to give are estimated to be collected as follows at December 31:

	2018	2017
Year ending December 31, 2018	\$ -	\$ 3,443,120
Year ending December 31, 2019	3,300,854	3,000,000
Year ending December 31, 2020	1,400,000	1,000,000
Total promises to give	4,700,854	7,443,120
Less: promises to give due in current year	(3,300,854)	(3,443,120)
Less: discount applied to multi-year promises	(80,366)	(229,616)
Total promises to give – noncurrent	\$ 1,319,634	\$ 3,770,384

Promises to give 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 promises to give. The change in discount for multi-year receivables amounted to \$149,250 and (\$25,832) for the years ended December 31, 2018 and 2017, respectively.

CIR determines the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. There was no allowance for doubtful accounts at December 31, 2018 and 2017. Bad debt expense related to promises to give amounted to \$74,792 for the year ended December 31, 2017. There was no bad debt expense for the year ended December 31, 2018.

At December 31, 2018 and 2017, four donors accounted for 46% and 71% of total promises to give, respectively. One contributor accounted for approximately 12% and 9% of total contributed income for the years ended December 31, 2018 and 2017, respectively. Promises to give totaling \$5,625,096 and \$9,001,017 received during the years ended December 31, 2018 and 2017, respectively, were restricted by donors for current-year operations and were reported as contributions with donor restrictions on the statement of activities and changes in net assets.

Notes to Financial Statements

7. Liquidity and Availability

CIR regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. CIR has various sources of liquidity at its disposal, including cash and cash equivalents, restricted cash, access to potential lines of credit (if necessary), and other sources (including the future collection of receivables).

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31:

	2018	2017
Cash and cash equivalents	\$ 1,126,782	\$ 639,929
Accounts receivable, net	218,696	84,782
Promises to give-current	3,300,855	3,443,120
Financial assets available to meet cash needs for general expenditures within one year	\$ 4,646,333	\$ 4,167,831

CIR receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, CIR must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of CIR's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. Property, Equipment and Improvements

A summary of property, equipment and improvements is as follows at December 31, 2018 and 2017:

	2018	2017
Furniture, fixtures and equipment	\$ 371,529	\$ 371,529
Computers and software	359,660	322,417
Leasehold improvements	419,155	417,840
Subtotal	1,150,344	1,111,786
Less: accumulated depreciation	(1,013,153)	(906,003)
Total property, equipment and improvements (net)	\$ 137,191	\$ 205,783

Total depreciation expense amounted to \$107,150 and \$165,127 for the years ended December 31, 2018 and 2017, respectively, and is reflected on the statement of functional expenses. There were no disposals during the years ended December 31, 2018 and 2017.

Notes to Financial Statements

9. 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 1.50% per annum. The interest rate was 5.5% as of December 31, 2018. There were no outstanding balances on the line of credit as of December 31, 2018 and 2017.

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 at December 31, 2017. The notes payable were retired in full during the year ended December 31, 2018.

Interest expense related to all borrowings amounted to \$14,871 for the year ended December 31, 2017. There was no interest expense for the year ended December 31, 2018 because the previously accrued balance of \$14,871 was forgiven by the lenders and reflected as an in-kind donation.

10. Leases

CIR occupies its current corporate office space in Emeryville, California under a multi-year operating lease with an original expiration date of March 31, 2019. On June 30, 2018, CIR agreed to an extension of the existing lease for another 63 months with a revised expiration date of June 2024. In connection with this lease, CIR received 3 months of free rent. Base rent will range from \$46,863 to \$54,327 per month over the lease term. In accordance with ASC 820, *Leases*, CIR recognizes rent expense using the straight-line method. 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, 2018 is as follows:

<u>Description</u>	<u>Payment</u>	<u>Frequency</u>	<u>Lease Term</u>
Emeryville office lease	\$ 30,786	Monthly	63 months thru March 2019
Lexis Nexis	\$ 7,971	Monthly	Various thru January 2020
Office Equipment	\$ 382	Monthly	60 months thru March 2021

Occupancy expense amounted to \$592,358 and \$573,706 for the years ended December 31, 2018 and 2017, respectively. Minimum annual payments on all operating leases with written agreements extending beyond one year are as follows: \$609,398 due during the year ending December 31, 2019; \$587,198 due during the year ending December 31, 2020; \$596,604 due during the year ending December 31, 2021; \$614,505 due during the year ending December 31, 2022; \$632,932 due during the year ending December 31, 2022; and \$325,960 due during the year ending December 31, 2024.

Notes to Financial Statements

11. Right of Use Asset

In accordance with ASU 2016-02, *Leases*, CIR is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a “Right of Use” asset and a corresponding lease liability. Accordingly, CIR has recorded a total lease liability in the amount of \$2,390,726 (split between current amount of \$481,494 and noncurrent amount of \$1,909,232,633) and a corresponding right of use asset for the premises in the amount of \$2,390,726.

12. In-Kind Contributions

During the year ended December 31, 2018, certain Board members forgave the accrued interest related to various notes payable owed to them by CIR (see Note 9) and these amounts have been included with in-kind donations on the statement of activities and changes in net assets.

13. Net Assets

Net Asset Without Donor Restrictions

Net assets without donor restrictions (previously unrestricted net assets) of \$132,594 and (\$1,950,203) represent the cumulative retained surpluses (deficits) of CIR through December 31, 2018 and 2017, respectively.

Net Asset With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

	2018	2017
Subject to expenditure for a specified purpose:		
Newsroom	\$ 2,142,755	\$ 3,176,732
Engagement and Events	80,918	905,429
StoryWorks Theater Project	-	50,000
Subtotal	<u>2,223,673</u>	<u>4,132,161</u>
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	3,633,904	5,610,000
Discount applied to multi-year receivables	(80,365)	(229,616)
Subtotal	<u>3,553,539</u>	<u>5,380,384</u>
Total net assets with donor restrictions	<u>\$ 5,777,212</u>	<u>\$ 9,512,545</u>

Net assets were released from donor restrictions by (a) incurring expenses satisfying the restricted purpose or (b) the passage of time as follows for the years ended December 31, 2018 and 2017:

	2018	2017
Satisfaction of purpose restrictions:		
Newsroom	\$ 3,387,058	\$ 3,176,732
Engagement and Events	316,109	905,429
StoryWorks Theater Project	-	50,000
Expiration of time restrictions	5,806,512	4,988,947
Total net assets released from restriction	<u>\$ 9,509,679</u>	<u>\$ 9,121,108</u>

Notes to Financial Statements

14. 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 for the year ended December 31, 2017. There was no employer contribution for the year ended December 31, 2018.

15. 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 \$272,148 and \$288,207 as of December 31, 2018 and 2017, respectively, and are included with accrued payroll liabilities on the statements of financial position.

16. Related Party Transactions

Included in total promises to give of \$4,620,489 and \$7,213,504 at December 31, 2018 and 2017, respectively, were receivables from related parties (principally Board members) which totaled \$501,100 and \$1,000,000, respectively. These balances accounted for approximately 11% and 14% of the total promises to give as of December 31, 2018 and 2017, respectively.

Total contributed income received from related parties amounted to \$560,000 and \$2,820 for the years ended December 31, 2018 and 2017, 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. During the year ended December 31, 2018 all loans to Board members were repaid. The total balance of the notes payable, including accrued interest, amounted to \$447,933 as of December 31, 2017. At the time of repayment, accrued interest of \$20,616 was forgiven (as disclosed in Note 9) and donated back to CIR in the form of in-kind donations.

Included in in accounts payable and accrued expenses are \$12,950 and \$18,891 in employee expense reimbursements as of December 31, 2018 and 2017, respectively.

17. Functionalized 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. The expenses that are allocated include depreciation, insurance, occupancy, and office supplies and equipment which are allocated on a square footage basis, as well as salaries, benefits, payroll taxes, contractors, event planning, postage, project and production expenses, public relations, travel, and other, which are allocated on the basis of estimates of time and effort.

18. 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.

19. Concentrations

At December 31, 2018, 77% of the accounts payable balance was due from two vendors and 64% of promises to give was due from four foundations. At December 31, 2017, 47% of the accounts payable balance was due to one vendor and 72% of the promises to give was due from four foundations.

20. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CIR has evaluated subsequent events through April 8, 2019, 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.