



# THE CENTER FOR INVESTIGATIVE REPORTING

## Financial Statements

*For the Years Ended  
December 31, 2016 and 2015*

**With Independent Auditors' Report Thereon**

# THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)

December 31, 2016 and 2015

## Mission

The Center for Investigative Reporting engages and empowers the public through investigative journalism and groundbreaking storytelling in order to spark action, improve lives and protect 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.

From the San Francisco Bay Area epicenter of technological and creative innovation, CIR's reporting ignites real-world change as evidenced by civil and criminal investigations, new laws and policies, the instigation of public discourse and solutions-oriented community action.

## The Center for Investigative Reporting - Board of Directors

| Name           | Position        | Name                     | Position     |
|----------------|-----------------|--------------------------|--------------|
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| Roy Bahat      | Vice Chair      | Susan Hirsch             | Board Member |
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**REGALIA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS

# THE CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)

December 31, 2016

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**REGALIA & ASSOCIATES**  
CERTIFIED PUBLIC ACCOUNTANTS



Regalia &  
Associates

C E R T I F I E D P U B L I C A C C O U N T A N T S  
1 0 3 T O W N & C O U N T R Y D R I V E , S U I T E K , D A N V I L L E , C A L I F O R N I A 9 4 5 2 6  
D O U G L A S R E G A L I A , C P A D A N A C H A V A R R I A , C P A  
M A R I A N N E R Y A N T R I C I A W I L S O N  
J A N I C E T A Y L O R , C P A W E N D Y T H O M A S , C P A  
L I S A C L O V E N , C P A L I S A P A R K E R , C P A [ i n a c t i v e ]  
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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 statements of financial position as of December 31, 2016 and 2015 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, 2016 and 2015, 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, 2015 financial statements. In our report dated April 18, 2016, we expressed an unqualified opinion on those financial statements.

*Danville, California  
April 7, 2017*

*Regalia & Associates*

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statements of Financial Position  
December 31, 2016 and 2015**

**ASSETS**

|   | 2016         | 2015         |
|---|--------------|--------------|
| Current assets:   |              |              |
| Cash and cash equivalents                                   | \$ 297,430   | \$ 90,442    |
| Accounts receivable, net of allowance for doubtful accounts | 115,421      | 5,222        |
| Grants and pledges receivable                               | 3,777,298    | 3,618,896    |
| Prepaid expenses and other current assets                   | 142,968      | 112,668      |
| Total current assets  | 4,333,117    | 3,827,228    |
| Noncurrent assets:  |              |              |
| Grants and pledges receivable, net of discount              | 3,346,216    | 4,887,360    |
| Deposits  | 46,720       | 87,620       |
| Property, equipment and improvements, net                   | 207,488      | 303,797      |
| Total noncurrent assets                                     | 3,600,424    | 5,278,777    |
|   | \$ 7,933,541 | \$ 9,106,005 |

**LIABILITIES AND NET ASSETS**

|                                       |              |              |
|---------------------------------------|--------------|--------------|
| Current liabilities:                  |              |              |
| Accounts payable and accrued expenses | \$ 373,824   | \$ 252,189   |
| Accrued payroll liabilities           | 271,807      | 311,171      |
| Deferred Rent                         | 68,935       | 82,423       |
| Security Deposit Liability            | 4,942        | -            |
| Fiscal sponsorship liabilities        | 4,632        | 7,726        |
| Line of credit                        | -            | 375,000      |
| Total current liabilities             | 724,140      | 1,028,509    |
| Net assets:                           |              |              |
| Unrestricted deficit                  | (2,449,067)  | (2,233,651)  |
| Temporarily restricted                | 9,658,468    | 10,311,147   |
| Total net assets                      | 7,209,401    | 8,077,496    |
|                                       | \$ 7,933,541 | \$ 9,106,005 |

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2016**

*(with Summarized Financial Information For the Year Ended December 31, 2015)*

|   | <b>Unrestricted<br/>Net Assets</b> | <b>Temporarily<br/>Restricted<br/>Net Assets</b> | <b>Total<br/>2016</b> | <b>Total<br/>2015</b> |
|---|------------------------------------|--|-----------------------|-----------------------|
| <i>Changes in net assets:</i>                 |                                    |  |                       |                       |
| Revenue and support:                          |                                    |  |                       |                       |
| Contributed income:                           |                                    |  |                       |                       |
| Contributions/donations                       | \$ 1,395,028                       | \$ 407,500                                       | \$ 1,802,528          | \$ 1,700,415          |
| Grants  | 1,871,637                          | 5,944,322  | 7,815,959             | 11,391,946            |
| Corporate Sponsorships                        | 317,360                            | -  | 317,360               | 237,740               |
| Change in discount for multi-year receivables | -                                  | 93,855   | 93,855                | (211,534)             |
| Net assets released from restrictions         | 7,098,356                          | (7,098,356)                                      | -                     | -                     |
| Total contributed income                      | 10,682,381                         | (652,679)  | 10,029,702            | 13,118,567            |
| Earned income:                                |                                    |  |                       |                       |
| Advertising                                   | 3,804                              | -  | 3,804                 | 5,356                 |
| Content fees                                  | 169,038                            | -  | 169,038               | 476,490               |
| Investment income                             | 8                                  | -  | 8                     | 10                    |
| Realized gains (losses) on investment sales   | 272                                | -  | 272                   | (18)                  |
| Royalties                                     | 2,737                              | -  | 2,737                 | 8,832                 |
| Fiscal Sponsorship                            | 5,344                              | -  | 5,344                 | 30,344                |
| Other   | 16,380                             | -  | 16,380                | 48,387                |
| Total earned income                           | 197,583                            | -  | 197,583               | 569,401               |
| <br>Total revenue and support                 | <br>10,879,964                     | <br>(652,679)                                    | <br>10,227,285        | <br>13,687,968        |
| <br>Expenses:                                 |                                    |  |                       |                       |
| Program services                              | 9,134,329                          | -  | 9,134,329             | 8,270,548             |
| General and administrative                    | 1,436,726                          | -  | 1,436,726             | 1,578,580             |
| Development                                   | 524,325                            | -  | 524,325               | 506,399               |
| <br>Total expenses                            | <br>11,095,380                     | <br>-  | <br>11,095,380        | <br>10,355,527        |
| <br>Increase (decrease) in net assets         | <br>(215,416)                      | <br>(652,679)                                    | <br>(868,095)         | <br>3,332,441         |
| Net assets (deficit) at beginning of year     | (2,233,651)                        | 10,311,147                                       | 8,077,496             | 4,745,055             |
| Net assets (deficit) at end of year           | \$ (2,449,067)                     | \$ 9,658,468                                     | \$ 7,209,401          | \$ 8,077,496          |

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statements of Cash Flows  
For the Years Ended December 31, 2016 and 2015**

|   | 2016         | 2015         |
|---|--------------|--------------|
| <i>Operating activities:</i>  |              |              |
| Increase (decrease) in net assets   | \$ (868,095) | \$ 3,332,441 |
| Adjustments to reconcile to cash provided by (used for) operating activities: |              |              |
| Depreciation  | 162,808      | 160,029      |
| Realized (gains) losses on investments  | (272)        | 18           |
| Change in discount for multi-year receivables                                 | (93,855)     | 211,534      |
| Changes in:   |              |              |
| Accounts receivable   | (110,199)    | 166,589      |
| Grants and pledges receivable   | 1,476,869    | (5,363,914)  |
| Prepaid expenses and other current assets                                     | (30,300)     | 46,016       |
| Deposits  | 40,900       | (41,050)     |
| Accounts payable and accrued expenses   | 121,635      | 4,192        |
| Accrued payroll liabilities   | (39,364)     | (6,776)      |
| Deferred rent   | (13,488)     | 9,160        |
| Security deposit liability  | 4,942        | -            |
| Fiscal sponsorship liabilities  | (3,094)      | (30,344)     |
| Cash provided by (used for) operating activities                              | 648,487      | (1,512,105)  |
| <i>Investing activities:</i>  |              |              |
| Transfers involving restricted cash   | -            | 73,136       |
| Additions to property, equipment and improvements                             | (66,499)     | (34,356)     |
| Cash provided by (used for) investing activities                              | (66,499)     | 38,780       |
| <i>Financing activities:</i>  |              |              |
| Proceeds from line of credit  | -            | 777,544      |
| Principal payments under line of credit                                       | (375,000)    | (402,544)    |
| Cash provided by (used for) financing activities                              | (375,000)    | 375,000      |
| Increase (decrease) in cash and cash equivalents                              | 206,988      | (1,098,325)  |
| Cash and cash equivalents at beginning of year                                | 90,442       | 1,188,767    |
| Cash and cash equivalents at end of year                                      | \$ 297,430   | \$ 90,442    |
| <i>Additional cash flow information:</i>                                      |              |              |
| State filing taxes paid   | \$ 150       | \$ 150       |
| Interest paid   | \$ 7,069     | \$ 6,690     |

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2016**

*(with Summarized Financial Information For the Year Ended December 31, 2015)*

|                                 | <b>Management<br/>Programs<br/>and General</b> | <b>Develop-<br/>ment</b> | <b>Total<br/>2016</b> | <b>Total<br/>2015</b> |
|---------------------------------|--|--------------------------|-----------------------|-----------------------|
| Accounting and auditing         | \$ -   | \$ 13,603                | \$ -                  | \$ 37,248             |
| Bad debt expense                | -  | 97,500                   | -                     | -                     |
| Computer related expenses       | 20,913   | -                        | 2,333                 | 33,924                |
| Contractors                     | 680,751  | 20,957                   | 7,380                 | 605,703               |
| Depreciation                    | 122,106  | 24,421                   | 16,281                | 160,029               |
| Event planning and expenses     | 14,779   | -                        | -                     | 14,779                |
| Human resources and recruitment | 78,648   | 36,293                   | 142                   | 115,083               |
| Insurance                       | 84,457   | 16,891                   | 11,261                | 112,609               |
| Legal                           | 41,725   | 193,459                  | -                     | 235,184               |
| Occupancy                       | 418,731  | 83,746                   | 55,831                | 558,308               |
| Office supplies and equipment   | 23,382   | 4,676                    | 3,118                 | 31,176                |
| Other                           | 67,627   | 13,796                   | 9,017                 | 90,440                |
| Postage, printing and photocopy | 2,658  | 4,476                    | 827                   | 7,961                 |
| Project and production expenses | 555,966  | 1,058                    | 1,640                 | 558,664               |
| Public relations and promotion  | 14,250   | 6,750                    | -                     | 21,000                |
| Salaries and related expenses   | 6,672,695                                      | 795,478                  | 378,883               | 7,847,056             |
| Telephone and internet          | 9,641  | 89,454                   | -                     | 99,095                |
| Travel                          | 326,000  | 34,168                   | 37,612                | 397,780               |
| <b>Totals</b>                   | <b>\$9,134,329</b>                             | <b>\$ 1,436,726</b>      | <b>\$ 524,325</b>     | <b>\$ 11,095,380</b>  |
|                                 |  |                          |                       | <b>\$ 10,355,527</b>  |

**Notes to Financial Statements**  
**December 31, 2016 and 2015**

**1. Organization**

The 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. The mission of CIR is to engage and empower the public through investigative journalism and groundbreaking storytelling in order to spark action, improve lives and protect our democracy.

CIR is among the most innovative, credible and relevant media organizations in the country. Reveal - our website, public radio program, podcast and social media platform - is where we publish our multiplatform work. 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.

From the San Francisco Bay Area epicenter of technological and creative innovation, our reporting ignites real-world change as evidenced by civil and criminal investigations, new laws and policies, the instigation of public discourse and solutions-oriented community action.

**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 highly capitalized 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)*

*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.

*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, 2016 and 2015. 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, 2016 and 2015. *(continued)*

**Notes to Financial Statements**

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

*Net Assets (continued)*

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, 2016 and 2015.

*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.

**Notes to Financial Statements**

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

*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.

*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, 2016 and 2015 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 of \$297,430 and \$90,442 at December 31, 2016 and 2015, respectively, include all funds in banks (checking and savings accounts) at the time of purchase that have a maturity date of 90 days or less. Savings and deposit accounts earn interest at rates of 0.03% per annum.

**Notes to Financial Statements**

**4. Accounts Receivable**

Accounts receivable consist of the following at December 31, 2016 and 2015:

|                                 | 2016       | 2015     |
|---------------------------------|------------|----------|
| Accounts receivable             | \$ 116,315 | \$ 6,294 |
| Allowance for doubtful accounts | (894)      | (1,072)  |
| Accounts receivable, net        | \$ 115,421 | \$ 5,222 |

Accounts receivable are reflected at fair value, which approximates net realizable value. Management has established an allowance for doubtful accounts in the amount of \$894 and \$1,072 at December 31, 2016 and 2015, respectively. There were no bad debts recognized during the years ended December 31, 2016 and 2015 related to accounts receivable.

**5. Grants and Pledges Receivable**

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

|   | 2016         | 2015         |
|---|--------------|--------------|
| Year ending December 31, 2016                           | \$ -         | \$ 3,618,896 |
| Year ending December 31, 2017                           | 3,777,299    | 2,310,000    |
| Year ending December 31, 2018                           | 1,550,000    | 975,000      |
| Year ending December 31, 2019                           | 1,000,000    | 950,000      |
| Year ending December 31, 2020                           | 1,000,000    | 950,000      |
| Total grants and pledges receivable                     | 7,327,299    | 8,803,896    |
| Less: grants and pledges receivable due in current year | (3,777,298)  | (3,618,896)  |
| Less: discount applied to multi-year receivables        | (203,785)    | (297,640)    |
| Total grants and pledges receivable - noncurrent        | \$ 3,346,216 | \$ 4,887,360 |

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 (which approximates fair value). 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 \$93,855 and (\$211,534) for the years ended December 31, 2016 and 2015, respectively. Bad debt expense related to grants and pledges receivable amounted to \$97,500 for the year ended December 31, 2016. There were no bad debts related to grants and pledges receivable for the year ended December 31, 2015.

**Notes to Financial Statements**

**6. Fair Value Measurements**

In accordance with fair value measurement accounting, CIR has classified certain current assets at December 31, 2016 as follows:

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

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, 2016.

**7. Property, Equipment and Improvements**

A summary of property, equipment and improvements is as follows at December 31, 2016 and 2015:

|   | <b>2016</b>       |           | <b>2015</b>    |
|---|-------------------|-----------|----------------|
| Furniture, fixtures and equipment                       | \$ 371,529        | \$        | 362,066        |
| Computers and software                                  | 256,719           |           | 199,683        |
| Leasehold improvements                                  | 320,116           |           | 320,116        |
| Subtotal  | 948,364           |           | 881,865        |
| Less: accumulated depreciation                          | (740,876)         |           | (578,068)      |
| <b>Total property, equipment and improvements (net)</b> | <b>\$ 207,488</b> | <b>\$</b> | <b>303,797</b> |

Depreciation expense amounted to \$162,808 and \$160,029 for the years ended December 31, 2016 and 2015, respectively, and is reflected on the statement of functional expenses. There were no disposals during the years ended December 31, 2016 and 2015.

**Notes to Financial Statements**

**8. Line of Credit**

CIR has a \$1,000,000 revolving line of credit (subject to annual renewal) collateralized by the assets of CIR. The lender approved a renewal of the line of credit through August 10, 2017. When utilized, the line of credit has a floating interest rate of prime plus 1.250% per annum with a minimum floor rate of 4.50% per annum. At December 31, 2015, the outstanding balance amounted to \$375,000 with a floating interest rate of 4.75% per annum. There was no balance outstanding as of December 31, 2016. Interest expense amounted to \$7,069 and \$6,690 for the years ended December 31, 2016 and 2015, respectively.

**9. Lease Commitments**

CIR occupies 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 \$68,935 at December 31, 2016 over the 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, 2016 is as follows:

| <u>Description</u>      | <u>Payment</u> | <u>Frequency</u> | <u>Lease Term</u>           |
|-------------------------|----------------|------------------|-----------------------------|
| Emeryville office lease | \$ 29,018      | Monthly          | 63 months thru March 2019   |
| Lexis Nexis             | \$ 5,980       | Monthly          | Various thru September 2018 |
| Office Equipment        | \$ 382         | Monthly          | 60 months thru March 2021   |

Occupancy expense amounted to \$558,308 and \$526,424 for the years ended December 31, 2016 and 2015, respectively. Minimum annual payments on all operating leases under agreements extending beyond one year are as follows: \$435,909 due during the year ending December 31, 2017; \$429,449 due during the year ending December 31, 2018; \$96,944 due during the year ending December 31, 2019; \$4,586 due during the year ending December 31, 2020; and \$1,147 due during the year ending December 31, 2021.

**10. In-Kind Contributions**

During the year ended December 31, 2016, CIR was the recipient of in-kind contributions in the form of pro-bono legal services. These services were received in connection with prepublication and pre-broadcast review, access to public records, contract drafting and review, and insurance issues. The value of these pro-bono professional services were estimated to be \$127,508 and are included with contributions/donations on the statement of activities and changes in net assets. There were no in-kind contributions for the year ended December 31, 2015.

**Notes to Financial Statements**

**11. 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, 2016 and 2015:

|   | <b>2016</b>  | <b>2015</b>   |
|---|--------------|---------------|
| Consulting, Engagement and Events             | \$ 229,459   | \$ 187,561    |
| Future Fund                                   | 348,712      | 418,690       |
| Glassbreaker Files                            | 1,216,087    | -             |
| Newsroom                                      | 1,454,938    | 1,447,066     |
| Reveal Labs                                   | 591,057      | 11,774        |
| Reveal  | 1,530,000    | 3,045,000     |
| StoryWorks                                    | -            | 50,000        |
| Time restricted grants and donations          | 4,492,000    | 5,448,696     |
| Discount applied to multi-year receivables    | (203,785)    | (297,640)     |
| Total temporarily restricted net assets (net) | \$ 9,658,468 | \$ 10,311,147 |

During the years ended December 31, 2016 and 2015, contributions of temporarily restricted net assets amounted to \$6,351,822 and \$10,390,718, respectively. Temporarily restricted net assets released from restriction amounted to \$7,098,356 and \$5,517,848 for the years ended December 31, 2016 and 2015, respectively. As disclosed in footnote 5, the change in the discount applied to multi-year receivables amounted to \$93,855 and (\$211,534) for the years ended December 31, 2016 and 2015, respectively.

**12. 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 \$127,279 and \$108,868 for the years ended December 31, 2016 and 2015, respectively.

**13. Related Party Transactions**

Included in total grants and pledges receivable of \$7,123,513 and \$8,506,256 at December 31, 2016 and 2015, respectively, were receivables from related parties (principally Board members) which totaled \$520,000 and \$1,525,000, accordingly. Total contributed income received from related parties amounted to \$2,910,000 and \$1,078,790 for the years ended December 31, 2016 and 2015, respectively.

**Notes to Financial Statements**

**14. 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 \$237,106 and \$274,076 as of December 31, 2016 and 2015, respectively, and are included with accrued payroll liabilities on the statement of financial position.

**15. 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.

**16. Concentrations**

At 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. At December 31, 2015, 58% of the accounts payable balance was due to six vendors and 82% of the grants and pledges receivable balance was due from five foundations.

**17. Subsequent Events**

In compliance with ASC 855, *Subsequent Events*, CIR has evaluated subsequent events through April 7, 2017, 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.