

CENTER FOR INVESTIGATIVE REPORTING, INC.

**FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

**For the Year Ended
December 31, 2010**

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REPORT OF INDEPENDENT AUDITOR

Board of Directors
Center for Investigative Reporting, Inc.

I have audited the accompanying statement of financial position of Center for Investigative Reporting, Inc. (Center) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. My responsibility is to express an opinion on these financial statements based on my audit.

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

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center for Investigative Reporting, Inc. as of December 31, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

July 22, 2011

CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF FINANCIAL POSITION

December 31, 2010

ASSETS

Current assets:

| | |
|--|---------------|
| Cash (Note Two) | \$ 1,789,239 |
| Future Fund cash (Notes Two, Five, Eight and Nine) | 70,000 |
| Accounts receivable | 48,025 |
| Grants and contributions receivable | 1,013,902 |
| Employee advances | 3,149 |
| Interfund receivable (Note Five) | 71,013 |
| Prepaid expenses | <u>59,036</u> |

Total current assets 3,054,364

Property and equipment, less accumulated depreciation
and amortization (Note Four)

90,865

Other assets:

| | |
|---|----------------|
| Deposits | 12,283 |
| Future Fund (Notes Two, Five, Eight and Nine) | 698,051 |
| Grants receivable | <u>100,000</u> |

Total other assets 810,334

Total assets \$ 3,955,563

LIABILITIES AND NET ASSETS

| | |
|-----------------------------|---------------|
| Current liabilities: | |
| Accounts payable | \$ 68,376 |
| Accrued vacation | 78,709 |
| Deferred revenue | 3,750 |
| Fiscal sponsorships payable | 95,514 |
| Other | <u>13,900</u> |
| Total current liabilities | 260,249 |

Commitments and contingencies (Notes Five, Six and Seven)

| | |
|---|---------------------|
| Net assets: | |
| Unrestricted | 224,194 |
| Temporarily restricted (Notes Five, Eight and Nine) | <u>3,471,120</u> |
| Total net assets | <u>3,695,314</u> |
| Total liabilities and net assets | <u>\$ 3,955,563</u> |

See accompanying notes to financial statements.

CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2010

| | |
|--|------------------|
| Changes in unrestricted net assets: | |
| Unrestricted revenue and support: | |
| Contract revenue | \$ 30,960 |
| Contributions | 138,244 |
| Fiscal sponsorship fees | 4,065 |
| Grants | 684,873 |
| Honorarium | 12,800 |
| Interest income | 4,979 |
| Publication and media sales | 40,116 |
| Royalties | 7,803 |
| Other | <u>8,155</u> |
| Unrestricted revenue and support | 931,995 |
| Net assets released from restrictions (Notes Five and Nine): | |
| Purpose restrictions accomplished | <u>3,686,471</u> |
| Total net assets released from restrictions | <u>3,686,471</u> |
| Total unrestricted revenue and support | 4,618,466 |
| Expenses: | |
| Program services | 2,814,518 |
| General and administrative | 236,164 |
| Fund development | <u>399,217</u> |
| | 3,449,899 |
| Costs incurred on completed project (Note Three) | <u>1,141,140</u> |
| Total expenses | <u>4,591,039</u> |
| Increase in unrestricted net assets | 27,427 |

See accompanying notes to financial statements.

CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF ACTIVITIES (Continued)

For the Year Ended December 31, 2010

| | |
|---|---------------------|
| Changes in temporarily restricted net assets: | |
| Contributions | 50,000 |
| Grants | 1,416,738 |
| Future Fund earnings (Note Five) | 891 |
| Future Fund security transfer | (988) |
| Net assets released from restrictions (Notes Five and Nine) | <u>(3,686,471)</u> |
| Decrease in temporarily restricted net assets | <u>(2,219,830)</u> |
| Decrease in net assets | (2,192,403) |
| Net assets, beginning of year | <u>5,887,717</u> |
| Net assets, end of year | <u>\$ 3,695,314</u> |

See accompanying notes to financial statements.

CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

| | |
|---|---------------------|
| Cash flows from operating activities: | |
| Decrease in net assets | \$ (2,192,403) |
| Adjustments to reconcile change in net assets to net cash used by operating activities: | |
| Depreciation | 29,324 |
| (Increase) decrease in assets: | |
| Accounts receivable | (48,025) |
| Grants and contributions receivable | 1,047,044 |
| Employee advances | 3,604 |
| Interfund receivable | (71,013) |
| Costs incurred on completed project (Note Three) | 1,134,710 |
| Prepaid expenses | (17,621) |
| Deposits | 2,350 |
| Future Fund | 97 |
| Increase in liabilities: | |
| Accounts payable | 17,994 |
| Accrued vacation | 28,797 |
| Deferred revenue | 3,750 |
| Fiscal sponsorships payable | 2,513 |
| Other | <u>9,178</u> |
| Total adjustments | <u>2,142,702</u> |
| Net cash used by operating activities | (49,701) |
| Cash flows from financing activities: | |
| Future Fund withdrawal (Note Five) | <u>70,000</u> |
| Net cash provided by financing activities | <u>70,000</u> |
| Cash flows from investing activities: | |
| Purchases of property and equipment, paid in cash | <u>(52,171)</u> |
| Net cash used by investing activities | <u>(52,171)</u> |
| Net decrease in cash | (31,872) |
| Cash and cash equivalents, beginning of year | <u>1,891,111</u> |
| Cash and cash equivalents, end of year | <u>\$ 1,859,239</u> |

See accompanying notes to financial statements.

CENTER FOR INVESTIGATIVE REPORTING, INC.

STATEMENT OF CASH FLOWS (Continued)

For the Year Ended December 31, 2010

Supplemental disclosure of noncash investing activities

Purchases of property and equipment (included in accounts payable).

\$ 1,777

See accompanying notes to financial statements.

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

NOTE ONE -- Summary of significant accounting policies

Business description

Founded in 1977, the Center for Investigative Reporting, Inc. (Center) conducts research on important political, environmental, social and economic issues and distributes the information through journalistic outlets by producing magazine, newspaper and internet articles, books, and television and radio stories and documentaries, and by publishing a website.

Cash and cash equivalents

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

Property and equipment and depreciation

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

Revenue and support

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

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

Costs incurred on uncompleted projects

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

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

NOTE ONE -- Summary of significant accounting policies (continued)

Contributed services

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

Taxes on income

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

Use of estimates

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

NOTE TWO -- Cash

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

NOTE THREE – Dirty Business documentary

The Dirty Business documentary was released in 2010. Therefore, all deferred revenue and support and costs were recognized in accordance with the Center's accounting policy for projects. Of the total \$1,141,140 project costs, \$919,090 was funded by project grants. The \$222,050 balance was funded by a combination of general support grants and other unrestricted revenue and support.

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

NOTE FOUR -- Property and equipment

Property and equipment is as follows:

| | |
|--|------------------|
| Furniture and equipment | \$ 105,062 |
| Leasehold improvements | 1,688 |
| Software | <u>34,035</u> |
| | 140,785 |
| Less accumulated depreciation and amortization | <u>(49,920)</u> |
| | <u>\$ 90,865</u> |

NOTE FIVE -- Future Fund

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

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

In December 2010, the Center's Board of Directors unanimously approved the 2010 withdrawal.

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

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

| | |
|------------------------|-------------------|
| Cash | \$ 796,119 |
| Certificate of deposit | 41,932 |
| Equities | 1,013 |
| Interfund payable | <u>(71,013)</u> |
| | 768,051 |
| Less current portion | <u>(70,000)</u> |
| | <u>\$ 698,051</u> |

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

NOTE SIX -- Lease commitments

In January 2010, the Center relocated its Berkeley, California office facilities from 2927 Newbury Street to 2130 Center Street. The Center is obligated for the new office facilities under a noncancellable lease agreement expiring in December 2014. The lease agreement provides for initial monthly minimum lease payments of \$5,366 increasing annually to \$6,849 over the lease term. The lease further provides for a five-year renewal option at fair market rent.

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

Future minimum lease commitments are as follows:

| | | |
|------|----|----------------|
| 2011 | \$ | 77,443 |
| 2012 | | 78,997 |
| 2013 | | 80,576 |
| 2014 | | <u>82,183</u> |
| | \$ | <u>319,199</u> |

Lease expense was \$81,388.

NOTE SEVEN -- Litigation

In March 2010, a complaint was filed against the Center, an employee of the Center, and the San Francisco Chronicle (defendants). The complaint alleged plaintiffs were defamed by an article written by the employee of the Center that was published by the San Francisco Chronicle. In December 2010, the court dismissed the bulk of the plaintiff's claims on a motion to dismiss. After which the plaintiffs agreed to dismiss the claims with prejudice, filing a stipulation to that effect in May 2011.

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

NOTE EIGHT -- Temporarily restricted net assets

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

| | |
|-----------------------------------|---------------------|
| Business Development | \$ 126,918 |
| California Watch: | |
| Business Development | 150,000 |
| Evaluation | 20,000 |
| Health Reporting | 329,583 |
| Knight Grant | 298,072 |
| School Accountability Report Card | 50,000 |
| Other Funders and Projects | 985,271 |
| Carbon Watch | 23,462 |
| Digital Video Initiative | 50,000 |
| Dirty Business Outreach | 36,174 |
| Future Fund | 768,051 |
| General Support | 400,000 |
| Goldensohn Fund | 40,637 |
| Homeland Security | 158,452 |
| Investigative News Network | 25,000 |
| Lloyd Fund | <u>9,500</u> |
| | <u>\$ 3,471,120</u> |

CENTER FOR INVESTIGATIVE REPORTING, INC.

NOTES TO FINANCIAL STATEMENTS (Continued)

December 31, 2010

NOTE NINE -- Net assets released from restrictions

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

| | |
|---|---------------------|
| California Watch: | |
| Water Reporting | \$ 16,714 |
| All Other California Watch Projects and Funders | 1,799,655 |
| Carbon Watch | 71,537 |
| Dirty Business Documentary | 919,090 |
| Dirty Business Outreach | 67,000 |
| Future Fund | 70,000 |
| General Support | 661,817 |
| Goldensohn Fund | 5,990 |
| Immigration Reporting | 66,168 |
| Lloyd Fund | <u>8,500</u> |
| | <u>\$ 3,686,471</u> |

NOTE TEN -- Employee benefit plan

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

Discretionary employer contributions of \$19,755 were made for 2010.

NOTE ELEVEN -- Review of subsequent events

Management has evaluated subsequent events through July 22, 2011 which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

CENTER FOR INVESTIGATIVE REPORTING, INC.

SCHEDULE OF EXPENSES

For the Year Ended December 31, 2010

| | Program Services | General and Administrative | Fund Development | Total |
|---------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------|
| Accounting | \$ - | \$ 55,107 | \$ - | \$ 55,107 |
| Advertising | 25,408 | - | 2,000 | 27,408 |
| Bank charges | - | 1,517 | - | 1,517 |
| Board of directors | - | 154 | - | 154 |
| Business development | 63,813 | - | - | 63,813 |
| Computer related expenses | 48,244 | 3,802 | 5,036 | 57,082 |
| Consultants | 12,223 | 389 | 154,666 | 167,278 |
| Depreciation | 24,784 | 1,953 | 2,587 | 29,324 |
| Graphics and design | 7,350 | 300 | 2,200 | 9,850 |
| Human resources and recruitment | 25,381 | 9,494 | 2,650 | 37,525 |
| Insurance | 29,985 | 3,000 | - | 32,985 |
| Legal | 52,500 | - | - | 52,500 |
| Membership fees and conferences | 18,348 | - | 1,000 | 19,348 |
| Miscellaneous | 17,760 | 1,836 | 1,097 | 20,693 |
| Occupancy | 82,530 | 6,505 | 8,615 | 97,650 |
| Office supplies and equipment | 23,086 | 1,820 | 2,410 | 27,316 |
| Office move | 17,484 | 1,378 | 1,825 | 20,687 |
| Other fundraising expenses | - | - | 5,898 | 5,898 |
| Postage and shipping | 5,902 | 465 | 616 | 6,983 |
| Printing and photocopy | 4,546 | 358 | 475 | 5,379 |
| Project expenses | 290,794 | - | - | 290,794 |
| PR and promotion | 50,000 | - | 2,000 | 52,000 |
| Salaries and related expenses | 1,845,761 | 145,476 | 192,679 | 2,183,916 |
| Stipends and reporter grants | 20,725 | - | - | 20,725 |
| Taxes and licenses | - | 249 | - | 249 |
| Telephone | 29,952 | 2,361 | 3,127 | 35,440 |
| Travel | 62,315 | - | 10,336 | 72,651 |
| Website | 55,627 | - | - | 55,627 |
| | <u>\$ 2,814,518</u> | <u>\$ 236,164</u> | <u>\$ 399,217</u> | <u>\$ 3,449,899</u> |