



CENTER FOR  
INVESTIGATIVE  
REPORTING

# CENTER FOR INVESTIGATIVE REPORTING

## Financial Statements

*For the Year Ended  
December 31, 2012*

**With Independent Auditors' Report**

# CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)

December 31, 2012

## History

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

## Mission

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

## Business Merger

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

### Center for Investigative Reporting - Board of Directors

<u>Name</u>	<u>Position</u>	<u>Name</u>	<u>Position</u>
Phil Bronstein	President/Chair	David Boardman	Board Member
Dr. Sandra R. Hernández	Vice Chair	Stephen Davis	Board Member
Jonathan Logan	Vice Chair	Susan Hirsch	Board Member
Jeff Ubben	Vice Chair	Justin Nyweide	Board Member
Tom Lockard	Treasurer	Christian Selchau-Hansen	Board Member
Susan Sachs	Secretary	Gabriel Stricker	Board Member
		Howard Zack	Board Member

# CENTER FOR INVESTIGATIVE REPORTING, INC.

(A California Not-For-Profit Corporation)  
December 31, 2012

## CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Financial Statements:</b>	
Statements of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statement of Functional Expenses	5
Notes to Financial Statements	6 - 14

**INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying financial statements of Center for Investigative Reporting, Inc. (a nonprofit organization) which comprise the statement of financial position as of December 31, 2012 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year 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 Center for Investigative Reporting, Inc. as of December 31, 2012 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

The financial statements of Center for Investigative Reporting, Inc. as of December 31, 2011 were audited by another auditor whose report dated August 3, 2012 expressed an unqualified opinion on those statements. The prior year summarized comparative information on the statement of activities and changes in net assets and the statement of functional expenses has been derived from Center for Investigative Reporting, Inc.'s December 31, 2011 financial statements.

*Regalia & Associates*

***Danville, California  
July 5, 2013***

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statements of Financial Position  
December 31, 2012 and 2011**

<b>ASSETS</b>	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
Current assets:		
Cash and cash equivalents	\$ 2,550,569	\$ 1,232,919
Restricted cash	61,693	70,000
Investments	2,094,822	776,389
Accounts receivable	110,245	99,559
Grants and pledges receivable (short-term)	1,850,500	2,700,000
Prepaid expenses and other current assets	106,286	46,719
Total current assets	6,774,115	4,925,586
Noncurrent assets:		
Grants and pledges receivable (long-term)	975,834	-
Deposits	43,399	12,533
Property, equipment and improvements, net	140,267	103,988
Total noncurrent assets	1,159,500	116,521
	\$ 7,933,615	\$ 5,042,107
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 99,951	\$ 60,045
Accrued payroll liabilities	279,411	137,853
Fiscal sponsorship liabilities	90,368	55,214
Total current liabilities	469,730	253,112
Net assets:		
Unrestricted	2,487,444	258,818
Temporarily restricted	4,976,441	4,530,177
Total net assets	7,463,885	4,788,995
	\$ 7,933,615	\$ 5,042,107

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statement of Activities and Changes in Net Assets  
For the Year Ended December 31, 2012**

*(with Summarized Financial Information For the Year Ended December 31, 2011)*

	<b>Unrestricted Net Assets</b>	<b>Temporarily Restricted Net Assets</b>	<b>Total Dec. 31, 2012</b>	<b>Total Dec. 31, 2011</b>
<i>Changes in net assets:</i>				
Revenue and support:				
Contributed income:				
Contributions/donations	\$ 3,737,190	\$ 4,285,426	\$ 8,022,616	\$ 319,576
Grants	3,123,595	-	3,123,595	5,083,669
Change in discount for multi-year receivables	-	(68,166)	(68,166)	-
Net assets released from restrictions	3,770,996	(3,770,996)	-	-
Total contributed income	10,631,781	446,264	11,078,045	5,403,245
Earned income:				
Advertising	14,226	-	14,226	8,213
Content fees	320,265	-	320,265	288,196
Investment income	21,686	-	21,686	3,058
Unrealized gains (losses) on investments	(964)	-	(964)	(24,800)
Royalties	22,932	-	22,932	10,064
Other	11,850	-	11,850	8,299
Total earned income	389,995	-	389,995	293,030
 Total revenue and support	 11,021,776	 446,264	 11,468,040	 5,696,275
Expenses:				
Program services	7,982,362	-	7,982,362	3,946,947
General and administrative	598,523	-	598,523	232,100
Development	212,265	-	212,265	423,547
 Total expenses	 8,793,150	 -	 8,793,150	 4,602,594
 Increase in net assets	 2,228,626	 446,264	 2,674,890	 1,093,681
Net assets at beginning of year	258,818	4,530,177	4,788,995	3,695,314
Net assets at end of year	\$ 2,487,444	\$ 4,976,441	\$ 7,463,885	\$ 4,788,995

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

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

	<b>Dec. 31, 2012</b>	<b>Dec. 31, 2011</b>
<i>Operating activities:</i>		
Increase in net assets	\$ 2,674,890	\$ 1,093,681
Adjustments to reconcile to cash provided by (used for) operating activities:		
Depreciation	70,837	33,840
Change in discount for multi-year receivables	68,166	-
Changes in:		
Accounts receivable	(10,686)	(51,534)
Grants and pledges receivable	(194,500)	(1,586,098)
Prepaid expenses and other current assets	(59,567)	(61,646)
Deposits	(30,866)	(250)
Accounts payable and accrued expenses	39,906	(25,981)
Accrued payroll liabilities	141,558	59,144
Fiscal sponsorship liabilities	35,154	(40,300)
	2,734,892	(579,144)
<i>Investing activities:</i>		
Acquisition of investments, net	(1,318,433)	(70,213)
Transfers involving restricted cash	8,307	70,000
Additions to property, equipment and improvements	(107,116)	(46,963)
	(1,417,242)	(47,176)
Increase (decrease) in cash and cash equivalents	1,317,650	(626,320)
Cash and cash equivalents at beginning of year	1,232,919	1,859,239
	\$ 2,550,569	\$ 1,232,919
<i>Additional cash flow information:</i>		
State filing taxes paid	\$ 150	\$ -
Interest paid	\$ -	\$ -

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**Statement of Functional Expenses  
For the Year Ended December 31, 2012**

*(with Summarized Financial Information For the Year Ended December 31, 2011)*

	Programs	Management and General	Develop- ment	Total 2012	Total 2011
Accounting and auditing	\$ -	\$ 75,713	\$ -	\$ 75,713	\$ 56,195
Bad debt expense	-	31,176	-	31,176	-
Computer related expenses	44,830	11,852	1,743	58,425	40,065
Contractors	705,084	55,391	37,501	797,976	662,130
Depreciation	70,819	15	3	70,837	33,840
Event planning and expenses	21,637	1,175	13,551	36,363	21,603
Human resources and recruitment	24,878	3,213	9,495	37,586	10,010
Insurance	57,801	27,726	-	85,527	36,106
Legal	9,472	68,272	-	77,744	17,428
Occupancy	238,468	49,724	-	288,192	144,026
Office supplies and equipment	31,696	9,769	835	42,300	29,643
Other	15,349	3,711	-	19,060	2,316
Postage, printing and photocopy	12,355	1,789	9,656	23,800	9,017
Project and production expenses	430,130	-	6,620	436,750	194,546
Public relations and promotion	35,970	-	-	35,970	66,755
Salaries and related expenses	6,008,946	213,577	124,320	6,346,843	3,066,777
Telephone and internet	63,508	12,210	979	76,697	44,991
Travel	211,419	33,210	7,562	252,191	167,146
<b>Totals</b>	<b>\$ 7,982,362</b>	<b>\$ 598,523</b>	<b>\$ 212,265</b>	<b>\$ 8,793,150</b>	<b>\$ 4,602,594</b>

**Notes to Financial Statements**  
**December 31, 2012**

**1. Organization**

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

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

**2. Summary of Significant Accounting Policies**

*Basis of Accounting*

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

*Basis of Presentation*

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

*Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of support, revenues, and expenses during the reporting period. Actual results could differ from those estimates.

*Cash and Cash Equivalents*

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

**Notes to Financial Statements**

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

*Property, Equipment, and Improvements*

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

*Fair Values*

CIR follows the provisions of ASC 820, *Fair Value Measurements and Disclosures*, and has estimated the fair value of its current assets using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that CIR could realize in a current market exchange. The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2012. 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, 2012 and 2011.

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, 2012 and 2011.

**Notes to Financial Statements**

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

*Revenue and Support Recognition*

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

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

*Contributions*

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

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

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

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

*Contributed Services and Costs*

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

**Notes to Financial Statements**

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

*Income Taxes*

Financial statement presentation follows the recommendations of ASC 740, *Income Taxes*. Under ASC 740, CIR is required to report information regarding its exposure to various tax positions taken by CIR and requires a two-step process that separates recognition from measurement. The first step is determining whether a tax position has met the recognition threshold; the second step is measuring a tax position that meets the recognition threshold. Management believes that CIR has adequately evaluated its current tax positions and has concluded that as of December 31, 2012 CIR does not have any uncertain tax positions for which a reserve or an accrual for a tax liability would be necessary.

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

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

*Functional Allocation of Expenses*

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

**3. Cash and Cash Equivalents**

Cash and cash equivalents include all funds in banks (checking and savings accounts) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at December 31, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Bank checking accounts (noninterest-bearing)	\$ 1,540,234	\$ 446,963
Interest-bearing savings account	1,010,335	785,956
Total cash and cash equivalents	\$ 2,550,569	\$ 1,232,919

Savings and deposit accounts earn interest at rates ranging up to 0.10% per annum. At December 31, 2012, certain accounts exceeded the FDIC insured limit, resulting in \$760,335 in funds that were not covered by insurance provided by the federal government. It is the opinion of management that the solvency of the referenced financial institutions is satisfactorily strong and that CIR's financial position will not be compromised.

**Notes to Financial Statements**

**4. Investments**

Investments consist of the following at December 31, 2012 and 2011:

	<b>2012</b>	<b>2011</b>
Money market funds (noninterest-bearing)	\$ 698,348	\$ 751,751
Certificate of deposit	1,396,474	-
Total investments	\$ 2,094,822	\$ 751,751

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

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models. CIR had no marketable assets classified as Level 2 or Level 3 at December 31, 2012.

**5. Grants and Pledges Receivable**

Grants and pledges receivable at December 31, 2012 are expected to be collected as follows:

Year ending December 31, 2013	\$ 1,850,500
Year ending December 31, 2014	744,000
Year ending December 31, 2015	300,000
Total grants and pledges receivable	2,894,500
Less: discount applied to multi-year receivables	(68,166)
Total amount due within one year	(1,850,500)
Amount due after one year, discounted at 3.0%	\$ 975,834

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

**Notes to Financial Statements**

**6. Property, Equipment and Improvements**

A summary of property, equipment and improvements is as follows at December 31, 2012 and 2011:

	<b>2012</b>		<b>2011</b>
Furniture, fixtures and equipment	\$ 151,138	\$	122,251
Computers and software	107,920		34,036
Leasehold improvements	35,806		31,461
Subtotal	294,864		187,748
Less: accumulated depreciation	(154,597)		(83,760)
Total property, equipment and improvements (net)	<u>\$ 140,267</u>	<u>\$</u>	<u>103,988</u>

Total depreciation expense amounted to \$70,837 and \$33,840 for the years ended December 31, 2012 and 2011, respectively, and is reflected on the statement of functional expenses.

**7. Lease Commitments**

CIR occupies its current corporate office space in Berkeley, California under several multi-year operating leases (for different building sections) expiring September 30, 2014. As of December 31, 2012, CIR continues to maintain a separate office location in San Francisco related to the operation of its Bay Citizen news group under a multi-year lease with an expiration date of April 30, 2013.

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

A summary of all of CIR's lease agreements at December 31, 2012 is as follows:

<u>Description</u>	<u>Payment</u>	<u>Frequency</u>	<u>Lease Term</u>
Berkeley office leases	\$ 9,687	Monthly	60 months thru September 2014
San Francisco office lease	\$ 14,467	Monthly	36 months to April 2013
Sacramento office	\$ 1,052	Monthly	Month-to-month
Santa Ana office	\$ 400	Monthly	Month-to-month
Parking location	\$ 300	Monthly	Month-to-month
Copiers/Printer/Other	\$ 1,347	Monthly	Various thru February 2015

*(continued)*

**Notes to Financial Statements**

**7. Lease Commitments** *(continued)*

Occupancy expense for all leases amounted to \$288,192 and \$144,026 for the years ended December 31, 2012 and 2011, respectively. Minimum annual payments on all operating leases with written agreements extending beyond one year are as follows:

Year ending December 31, 2013	\$ 207,939
Year ending December 31, 2014	98,553
Year ending December 31, 2015	387

**8. Temporarily Restricted Net Assets**

CIR recognizes support from temporarily restricted net assets when the restrictions imposed by the donors have been satisfied or expired. Temporarily restricted net assets consist of the following as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
California Watch	\$ 366,755	\$ 991,514
Carbon (Cap & Trade)	43,194	-
Child Nutrition	220,000	-
Climate Change - Agriculture	25,898	-
Department of Homeland Security	164,066	158,309
Digital Media	153,927	70,545
Dirty Business Outreach	-	2,526
Food Security	126,707	328,425
Future Fund	628,316	698,264
General Support/Other	2,113,241	871,834
Ishiyama	68,296	399,610
Lloyd Fund	-	9,150
MacArthur Foundation for Effective and Creative Institutions	673,890	1,000,000
Youth Speaks - Panta Rhea	13,000	-
You Tube-Knight	447,317	-
Discount applied to multi-year receivables	(68,166)	-
Total temporarily restricted net assets (net)	<u>\$ 4,976,441</u>	<u>\$ 4,530,177</u>

During the years ended December 31, 2012 and 2011, contributions of temporarily restricted net assets amounted to \$4,285,426 and \$3,346,464, respectively. Temporarily restricted net assets released from restriction amounted to \$3,770,996 and \$2,262,820 for the years ended December 31, 2012 and 2011, respectively.

**Notes to Financial Statements**

**9. Retirement Plan**

CIR offers employees the opportunity for participation in a salary reduction retirement plan (the “Plan”) qualified under Internal Revenue Code Section 403(b). The Plan provides employees with the opportunity to defer a portion of their salary subject to annual statutory limitations. Employees must meet certain age and work requirements in order to be eligible to participate in the Plan. The Plan provides for discretionary employer contributions which amounted to \$68,287 and \$35,464 for the years ended December 31, 2012 and 2011, respectively.

**10. In-Kind Contributions**

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

Description	Services Provided	Estimated Value
Law Office of Judy Alexander	720 hours legal	\$ 252,000
Davis Wright Tremaine LLP	511 hours legal	248,205
Fenwick & West, LLP	202 hours legal	116,943
Total value of pro bono legal services		\$ 617,148

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

**11. Compensated Absences (Accrued Vacation)**

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CIR is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Annual leave accruals are recorded in the financial statements as an accrued liability on the statement of financial position based on hourly rates in effect at the end of the fiscal year. Accrued vacation liabilities amounted to \$248,224 and \$105,085 as of December 31, 2012 and 2011, respectively.

**Notes to Financial Statements**

**12. Commitments and Contingencies**

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

**13. Business Merger**

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

**14. Union Contract**

In July of 2011, Bay Citizen newsroom employees voted to be represented by the Pacific Media Workers Guild. Other Bay Citizen employees, including engineers and employees involved in the business side of the operation, were not included. Subsequent to the vote, discussions began between management and the union about a future contract covering those employees. In negotiations with the Guild after the merger of CIR and Bay Citizen, it was agreed that the larger combined newsroom would take a new vote. On July 17, 2012, the newsroom employees voted against Guild representation.

**15. Subsequent Events**

In compliance with ASC 855, *Subsequent Events*, CIR has evaluated subsequent events through July 5, 2013, 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.