

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION**

**For the Year Ended  
December 31, 2006**

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## **REPORT OF INDEPENDENT AUDITOR**

Board of Directors  
Center for Investigative Reporting, Inc.

I have audited the statement of financial position of Center for Investigative Reporting, Inc. (Center) as of December 31, 2006, 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, 2006, 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 made 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.

Michael Palmer  
February 13, 2007

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**STATEMENT OF FINANCIAL POSITION**

**December 31, 2006**

**ASSETS**

Current assets:	
Cash (Note Two)	\$ 444,123
Accounts receivable	6,385
Grants receivable	299,500
Costs incurred on uncompleted projects (Note Three)	376,972
Prepaid expenses	<u>17,174</u>
Total current assets	1,144,154
Property and equipment, less accumulated depreciation and amortization (Note Four)	17,972
Other assets :	
Deposits	3,822
Future Fund (Notes Two, Five, Six and Nine)	<u>982,115</u>
Total other assets	<u>985,937</u>
Total assets	<u>\$ 2,148,063</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and other	\$ 35,948
Accrued vacation and employee benefit plan contributions	23,286
Deferred revenue (Note Seven)	15,000
Interfund payable	<u>42,591</u>
Total current liabilities	116,825
Commitments and contingencies (Notes Five, Six, Eight and Twelve)	
Net assets:	
Unrestricted	54,236
Temporarily restricted (Notes Five, Nine and Ten)	<u>1,977,002</u>
Total net assets	<u>2,031,238</u>
Total liabilities and net assets	<u>\$ 2,148,063</u>

**See accompanying notes to financial statements.**

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**STATEMENT OF ACTIVITIES**

**For the Year Ended December 31, 2006**

Changes in unrestricted net assets:	
Unrestricted revenue and support:	
Contract revenue	\$ 200,272
Contributions	60,715
Grants	622,365
Honorarium	250
Interest income	6,748
Loss from disposal of property and equipment	(1,792)
Other	370
Publication sales	620
Royalties and licensing	<u>39,171</u>
Unrestricted revenue and support	928,719
Net assets released from restrictions (Notes Five and Ten):	
Purpose restrictions accomplished	<u>925,073</u>
Total net assets released from restrictions	<u>925,073</u>
Total unrestricted revenue and support	1,853,792
Expenses:	
Program services	1,066,735
General and administrative	123,535
Fund development	<u>82,625</u>
	1,272,895
Decrease in costs incurred on uncompleted projects	<u>426,986</u>
Total expenses	<u>1,699,881</u>
Increase in unrestricted net assets	153,911

**See accompanying notes to financial statements.**

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**STATEMENT OF ACTIVITIES (Continued)**

**For the Year Ended December 31, 2006**

Changes in temporarily restricted net assets:	
Grants and contributions	892,556
Future Fund earnings (Note Five)	28,320
Net assets released from restrictions (Notes Five and Ten)	<u>(925,073)</u>
Decrease in temporarily restricted net assets	<u>(4,197)</u>
Increase in net assets	149,714
Net assets, beginning of year	<u>1,881,524</u>
Net assets, end of year	<u>\$ 2,031,238</u>

**See accompanying notes to financial statements.**

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2006**

Cash flows from operating activities:	
Increase in net assets	\$ 149,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	7,810
Loss from disposal of property and equipment	1,792
(Increase) decrease in assets:	
Accounts receivable	(6,385)
Grants receivable	55,500
Costs incurred on uncompleted projects	426,986
Prepaid expenses	4,714
Deposits	1,850
Future Fund	(338,304)
Increase (decrease) in liabilities:	
Accounts payable	21,822
Accrued vacation and employee benefit plan payable	6,035
Deferred revenue	(29,000)
Interfund payable	37,715
Other	<u>(1,768)</u>
Total adjustments	<u>188,767</u>
Net cash provided by operating activities	338,481
Cash flows from investing activities:	
Proceeds from disposal of property and equipment	1,102
Purchases of property and equipment, paid in cash	<u>(2,195)</u>
Net cash used by investing activities	<u>(1,093)</u>
Net increase in cash	337,388
Cash and cash equivalents, beginning of year	<u>106,735</u>
Cash and cash equivalents, end of year	<u>\$ 444,123</u>

**See accompanying notes to financial statements.**

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**December 31, 2006**

**NOTE ONE -- Summary of significant accounting policies**

**Business description**

Center for Investigative Reporting, Inc. (Center) was founded in 1977 to conduct research on important political, environmental, social and economic issues and to distribute the information through the production of manuscripts, magazine, newspaper and internet articles, books, transcripts, and film and radio documentaries.

**Cash and cash equivalents**

Cash and cash equivalents include all cash exclusive of Future Fund cash.

**Property and equipment and depreciation**

Property and equipment is stated at cost. Expenditures in excess of \$500 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. Leasehold improvements are being amortized through August 2008, the expiration date of the Center's Berkeley office facilities lease.

**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 asset 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.

**Contributed services**

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

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2006**

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

**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 on deposit both amounts in an uninsured account and other amounts exceeding Federal Deposit Insurance Corporation limits.

**NOTE THREE -- Costs incurred on uncompleted projects**

Costs incurred on uncompleted projects are as follows:

Hot Politics	\$ 201,018
The EU Project	158,794
FBI	3,285
Nuclear Bomb Market	<u>13,875</u>
	<u>\$ 376,972</u>

**NOTE FOUR -- Property and equipment**

Property and equipment is as follows:

Furniture and equipment	\$ 54,751
Leasehold improvements	<u>5,016</u>
	59,767
Less accumulated depreciation and amortization	<u>(41,795)</u>
	<u>\$ 17,972</u>

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2006**

**NOTE FIVE -- Future Fund**

In 2004, the Center established the Future Fund. The Future Fund has been funded by both grantor (David and Reva Logan Foundation) matching contributions and new contributions received September 1, 2004 through November 30, 2006.

The matching grant agreement provides that annual withdrawals commencing December 2007 from the Future Fund account are limited to the lesser of (1) \$70,000 or (2) the percentage of aggregate grantor matching contributions and new contributions divided by \$1,000,000 times \$70,000. Withdrawals for the period through November 2007 (\$50,000 of which was withdrawn in 2005) are limited to \$70,000. All withdrawals require the approval of two-thirds of the Center's Board of Directors.

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

The following assets are held in separate accounts by the Future Fund:

Cash	\$ 79,839
Certificate of deposit	115,715
Common stocks (at market value)	5,039
Grant receivable	246,276
Interfund receivable	42,591
United States Government Bonds (at market value)	<u>492,655</u>
	<u>\$ 982,115</u>

**NOTE SIX -- Short-term borrowings**

The Center has a \$100,000 revolving line of credit available from Golden Gate Bank, payable interest only on a monthly basis, computed at an approximate interest rate of five and one-tenth percent (5.1%) per annum, with all unpaid principal and interest due in June 2007. The line of credit is collateralized by a certificate of deposit (\$115,715 at December 31, 2006) held by the Future Fund. The Center did not borrow from the line of credit during the year.

**NOTE SEVEN -- Deferred revenue**

Deferred revenue is attributable to the following projects:

The EU Project	<u>\$ 15,000</u>
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**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2006**

**NOTE EIGHT -- Lease commitments**

The Center is obligated under a noncancellable lease agreement for its Berkeley, California office facilities through August 2008. The lease agreement provides for monthly minimum lease payments (\$2,750 at December 31, 2006) increasing annually to \$3,100 over the lease term.

The Center leased its former Washington DC branch office facilities under a noncancellable lease agreement which expired October 2006. The lease provided for minimum monthly lease payments of \$981 reduced by sublease income of \$800 a month.

Future minimum lease commitments are as follows:

2007	\$ 36,050
2008	<u>23,767</u>
	<u>\$ 59,817</u>

Occupancy expense (reduced by sublease income of \$8,000) was \$47,606.

**NOTE NINE -- Temporarily restricted net assets**

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

Banished Outreach	\$ 50,000
Campaign Finance	126,655
Hot Politics	200,000
The EU Project	109,658
FBI	40,000
Frank McCulloch Fund	10,062
Freedom of Information Act	3,441
Future Fund	982,115
Gangs Outreach	52,242
General support	82,000
Goldensohn Fund	55,000
Judges Two	104,167
Justice Investigative Venture Fund	44,119
Land Conservation Project	3,000
Nuclear Bomb Market	85,000
Public Domain	<u>29,543</u>
	<u>\$ 1,977,002</u>

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**December 31, 2006**

**NOTE NINE -- Temporarily restricted net assets (continued)**

The Center has requested an extension of time for the \$29,543 of temporarily restricted net assets attributable to the Public Domain project for which the time restriction has expired.

**NOTE TEN -- 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:

Banished	\$ 573,000
Campaign Finance	73,345
Freedom of Information Act	1,559
Frank McCulloch Fund	23,885
Gangs	90,140
Gangs Outreach	6,758
Judges Two	123,468
Public Domain	<u>32,918</u>
	<u>\$ 925,073</u>

**NOTE ELEVEN -- 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 \$11,428 were made for 2006.

**NOTE TWELVE -- Conditional promises to give**

In 2006, the Center received a \$300,000 grant, of which \$150,000 was received in 2006. Receipt of the remaining \$150,000 is contingent upon the Center meeting certain goals. Additionally, the Center received a \$50,000 matching grant contingent upon the Center raising \$100,000 in qualifying grants or contributions. Since both grants are conditional promises to give, neither has been recognized in the financial statements.

**SUPPLEMENTARY INFORMATION**

**CENTER FOR INVESTIGATIVE REPORTING, INC.**

**SCHEDULE OF EXPENSES**

**For the Year Ended December 31, 2006**

	<u>Program Services</u>	<u>General and Administrative</u>	<u>Fund Development</u>	<u>Total</u>
Accounting	\$ -	\$ 9,068	\$ -	\$ 9,068
Bank charges	370	740	-	1,110
Board of directors	-	490	-	490
Consultants	-	13,181	41,400	54,581
Cost of production	562,092	-	-	562,092
Depreciation	5,636	1,502	672	7,810
Equipment rental and repairs	3,944	3,608	28	7,580
Insurance	17,049	4,798	160	22,007
Legal	5,434	-	-	5,434
Maintenance and repairs	75	1,091	-	1,166
Miscellaneous	6,111	1,806	1,455	9,372
Occupancy	31,869	12,196	3,541	47,606
Other fundraising expense	-	-	232	232
Payroll processing service	-	2,120	-	2,120
Postage and shipping	3,267	1,385	1,058	5,710
Printing and photocopy	287	1,227	142	1,656
Relocation	3,162	-	-	3,162
Salaries and related expenses	356,034	64,509	31,736	452,279
Stipends	250	-	-	250
Taxes and licenses	-	160	-	160
Telephone	10,399	4,524	1,044	15,967
Transition costs	333	1,130	-	1,463
Travel	<u>60,423</u>	<u>-</u>	<u>1,157</u>	<u>61,580</u>
	<u>\$ 1,066,735</u>	<u>\$ 123,535</u>	<u>\$ 82,625</u>	<u>\$ 1,272,895</u>