



from The Center for Investigative Reporting

**THE CENTER FOR INVESTIGATIVE
REPORTING, INC. AND SUBSIDIARY**

Consolidated Financial Statements

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)



**and
Report Thereon**



THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Center for Investigative Reporting, Inc. and Subsidiary

Opinion

We have audited the consolidated financial statements of The Center for Investigative Reporting, Inc. and Subsidiary (The Grab) (collectively referred to as CIR), which comprise the consolidated statement of financial position as of December 31, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of CIR as of December 31, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of CIR and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about CIR's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 CIR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CIR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Matter

Report on Summarized Comparative Information

We have previously audited CIR's December 31, 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those consolidated financial statements in our report dated September 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Marcum LLP

Washington, DC
June 16, 2022

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2021

(With Summarized Financial Information as of December 31, 2020)

ASSETS	<u>2021</u>	<u>2020</u>
Current Assets		
Cash and cash equivalents	\$ 2,127,942	\$ 3,058,546
Accounts receivable, net	374,384	132,467
Grants and contributions receivable, net	3,285,442	1,006,977
Prepaid expenses and other assets	<u>232,093</u>	<u>260,573</u>
Total Current Assets	<u>6,019,861</u>	<u>4,458,563</u>
Noncurrent Assets		
Property, equipment and improvements, net	57,665	64,517
Right of use – premises	<u>1,321,076</u>	<u>1,805,896</u>
Total Noncurrent Assets	<u>1,378,741</u>	<u>1,870,413</u>
TOTAL ASSETS	<u>\$ 7,398,602</u>	<u>\$ 6,328,976</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable and accrued expenses	\$ 335,186	\$ 198,435
Accrued payroll liabilities	529,015	541,410
Deferred revenue	436,780	500,000
Note payable – Paycheck Protection Program (PPP)	1,200,900	1,515,400
Note Payable – Small Business Administration	114,040	-
Lease liability – current portion	<u>508,772</u>	<u>484,819</u>
Total Current Liabilities	3,124,693	3,240,064
Lease liability – noncurrent portion	<u>962,613</u>	<u>1,499,939</u>
TOTAL LIABILITIES	<u>4,087,306</u>	<u>4,740,003</u>
Net Assets (Deficit)		
Without donor restrictions	(870,304)	(400,294)
With donor restrictions	<u>4,181,600</u>	<u>1,989,267</u>
TOTAL NET ASSETS	<u>3,311,296</u>	<u>1,588,973</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 7,398,602</u>	<u>\$ 6,328,976</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021 Total</u>	<u>2020 Total</u>
REVENUE AND SUPPORT				
Contributed income:				
Individual donations	\$ 456,846	\$ -	\$ 456,846	\$ 520,398
Grants and major gifts	5,842,902	3,885,710	9,728,612	6,657,928
Net assets released from restrictions:				
Satisfaction of time restrictions	78,920	(78,920)	-	-
Satisfaction of program restrictions	<u>1,614,457</u>	<u>(1,614,457)</u>	<u>-</u>	<u>-</u>
Total Contributed Income	<u>7,993,125</u>	<u>2,192,333</u>	<u>10,185,458</u>	<u>7,178,326</u>
Earned income:				
Content and carriage fees	752,161	-	752,161	597,826
Documentary production fees	914,063	-	914,063	254,937
Rental income	61,275	-	61,275	69,025
Employee retention tax credit	250,271	-	250,271	-
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>175,452</u>
Total Earned Income	<u>1,977,770</u>	<u>-</u>	<u>1,977,770</u>	<u>1,097,240</u>
TOTAL REVENUE AND SUPPORT	<u>9,970,895</u>	<u>2,192,333</u>	<u>12,163,228</u>	<u>8,275,566</u>
EXPENSES				
Program services	8,988,700	-	8,988,700	8,376,385
General and administrative	2,125,598	-	2,125,598	2,163,364
Development	<u>727,967</u>	<u>-</u>	<u>727,967</u>	<u>802,484</u>
TOTAL EXPENSES	<u>11,842,265</u>	<u>-</u>	<u>11,842,265</u>	<u>11,342,233</u>
Change in Net Assets From Operations	(1,871,370)	2,192,333	320,963	(3,066,667)
Forgiveness of note payable – PPP	<u>1,401,360</u>	<u>-</u>	<u>1,401,360</u>	<u>-</u>
CHANGE IN NET ASSETS	(470,010)	2,192,333	1,722,323	(3,066,667)
NET ASSETS, BEGINNING OF YEAR	<u>(400,294)</u>	<u>1,989,267</u>	<u>1,588,973</u>	<u>4,655,640</u>
NET ASSETS, END OF YEAR	<u>\$ (870,304)</u>	<u>\$ 4,181,600</u>	<u>\$ 3,311,296</u>	<u>\$ 1,588,973</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2021
(With Summarized Financial Information for the Year Ended December 31, 2020)

	Supporting Services			2021 Total	2020 Total
	Program Services	General and Administrative	Development		
Salaries and related expenses	\$ 6,094,196	\$ 1,451,653	\$ 637,444	\$ 8,183,293	\$ 8,226,418
Editorial and non-editorial contractors	1,308,547	3,431	769	1,312,747	976,002
Occupancy	782,407	139,716	9,314	931,437	890,491
General operations	285,664	210,447	34,362	530,473	315,017
Insurance	297,927	53,201	3,547	354,675	336,789
Projects and production	91,879	218,180	23,439	333,498	308,911
Travel	18,956	20,253	30	39,239	116,082
Professional services	64,547	12,909	8,606	86,062	89,111
Depreciation	32,809	6,562	4,375	43,746	63,742
Office supplies and equipment	11,768	9,246	6,081	27,095	19,670
TOTAL EXPENSES	\$ 8,988,700	\$ 2,125,598	\$ 727,967	\$ 11,842,265	\$ 11,342,233

The accompanying notes are an integral part of these consolidated financial statements.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2021

(With Summarized Financial Information for the Year Ended December 31, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,722,323	\$ (3,066,667)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	43,746	63,742
Forgiveness of note payable – PPP	(1,401,360)	-
Changes in assets and liabilities:		
Accounts receivable	(241,917)	406,602
Grants and contributions receivable	(2,278,465)	2,535,896
Prepaid expenses and other assets	28,480	92,797
Right of use – premises	456,267	542,903
Accounts payable and accrued expenses	136,751	(6,394)
Accrued payroll liabilities	(12,395)	252,926
Deferred revenue	(63,220)	(692,437)
Lease liability	(484,820)	(462,686)
	<u>(2,094,610)</u>	<u>(333,318)</u>
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment and improvements	(36,894)	(46,414)
	<u>(36,894)</u>	<u>(46,414)</u>
NET CASH USED IN INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	1,200,900	1,515,400
	<u>1,200,900</u>	<u>1,515,400</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(930,604)	1,135,668
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>3,058,546</u>	<u>1,922,878</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,127,942</u>	<u>\$ 3,058,546</u>
NONCASH FINANCING ACTIVITIES		
Forgiveness of note payable – PPP	<u>\$ 1,401,360</u>	<u>\$ -</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
State filing taxes paid	<u>\$ 9,976</u>	<u>\$ 10,664</u>
Interest paid	<u>\$ 51</u>	<u>\$ 7,187</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

1. Organization and Summary of Significant Accounting Policies

Organization

The Center for Investigative Reporting, Inc. (CIR) was incorporated in California in 1977 as a nonprofit public benefit corporation. The mission of The Center for Investigative Reporting, Inc. is to engage and empower the public through investigative journalism and groundbreaking storytelling that sparks action, improves lives and protects our democracy. These activities are funded primarily through grants and contributions.

During the year ended December 31, 2020, CIR commenced the production of a documentary film project which prompted the creation of a separate entity (subsidiary), The Grab, LLC (The Grab). The Grab, LLC is a California single-member limited liability company. CIR is The Grab's sole member. The Grab's activities are funded primarily through investments from partners and contributions from donors.

Basis of Presentation

The accompanying consolidated financial statements are presented on the accrual basis of accounting, consequently, revenue is recognized when earned and expenses are recognized when the obligations are incurred.

Principles of Consolidation

The consolidated financial statements include the accounts of CIR and its subsidiary, The Grab (collectively referred to as CIR). CIR and The Grab have been consolidated, as required under accounting principles generally accepted in the United States of America (GAAP), due to the presence of the sole controlling interest in The Grab by CIR. All significant intercompany balances and transactions have been eliminated on consolidation.

Cash and Cash Equivalents

CIR considers all highly liquid instruments that are to be used for current operations and that have original maturities of three months or less to be cash equivalents.

Accounts and Grants and Contributions Receivables

Accounts and grants and contributions receivables are recorded at their net realizable value. Accounts and grants and contributions receivables that are past due are individually analyzed for collectibility. When all collection efforts have been exhausted, the account is written off against an allowance account. Management annually adjusts the allowance account based upon its estimate of those receivables it believes to be uncollectible.

Property, Equipment and Improvements and Related Depreciation and Amortization

All acquisitions of property, equipment and improvements greater than \$5,000 and a useful life of more than one year are capitalized at cost. Property and equipment are being depreciated using the straight-line method over estimated useful lives of three to five years. Leasehold improvements are amortized over the lesser of their estimated useful lives or the remaining life of the lease. Expenditures for major additions and improvements are capitalized; expenditures

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS For the Year Ended December 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Property, Equipment and Improvements and Related Depreciation and Amortization (continued)

for maintenance and repairs are charged to expense when incurred. Costs incurred in the development of software for internal use are expensed during the preliminary and post-implementation operation stages, including data conversion, training and maintenance costs. Costs incurred during the application development stage of software development are capitalized. Upon the retirement or disposal of assets, the cost and accumulated depreciation or amortization are eliminated from the accounts and the resulting gain or loss is included in revenue or expenses, as appropriate.

Classification of Net Assets

Net assets without donor restrictions represent the portion of expendable funds that are available for support of CIR's operations. Net assets with donor restrictions represent amounts that are specifically restricted by donors or grantors for various purposes or time periods. These donor restrictions can be temporary in nature in that they will be met by actions of CIR or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated that the funds be maintained in perpetuity. As of December 31, 2021, CIR had no net assets with donor restrictions that are required to be maintained in perpetuity.

Revenue Recognition

Unconditional contributions are recognized as revenue in the reporting period in which they are received or when unconditional promises are made. Contributions are considered available for unrestricted use unless specifically restricted by the donor. CIR reports gifts of cash and other assets as having donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose of a restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. Unconditional contributions that have been committed to CIR, but have not been received as of year-end, are reflected as grants and contributions receivables in the accompanying consolidated statement of financial position. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected after one year are recorded at their present value using appropriate discount rates. Amortization of the discount is recorded as additional contribution revenue and is used in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

1. Organization and Summary of Significant Accounting Policies (continued)

Revenue Recognition (continued)

Content and carriage fees are recognized at the time the program or shows is aired or broadcast.

Documentary production fees are recognized over time based on the expenses incurred on the production.

Rental income is recognized at the point in time the service is provided.

Paycheck Protection Program (PPP) loan forgiveness was recognized as revenue in the period the loan was forgiven by the Small Business Association (SBA). The Employee Retention Tax Credit (ERTC) is considered a conditional grant and was recognized when CIR met the conditions for receiving the credit set by the federal government and recognized in the quarters when CIR was eligible to receive it.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying consolidated statement of functional expenses. Expenses directly attributed to specific functional areas of CIR are reported as expenses of those functional areas. Salaries are allocated to programs and supporting services based on employees' timesheets. Fringe benefits and shared costs (such as rent, insurance, telephone and internet, computer related expenses, office supplies and equipment, public relations and promotions, project and production expenses and postage, printing and photocopy) that benefit multiple functional areas have been allocated among the various functional areas based on the actual time and effort expended on those functional areas. Depreciation expense has been allocated based on square footage used by the respective departments.

Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

2. Accounts Receivable

Accounts receivable are due within one year and comprised of the following at December 31, 2021:

Employee retention tax credit receivable	\$ 250,272
Content and carriage fees	104,034
Other	<u>20,952</u>
Total Accounts Receivable	375,258
Less: Allowance for Doubtful Accounts	<u>(874)</u>
Accounts Receivable, Net	<u>\$ 374,384</u>

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

3. Grants and Contributions Receivable

Grants and contributions receivable of \$3,285,442 represent promises to give from various organizations and were all due within one year as of December 31, 2021. All amounts are deemed fully collectible. Accordingly, no allowance for uncollectible grants and contributions receivable has been provided.

4. Property, Equipment and Improvements and Related Depreciation and Amortization

Property, equipment and improvements consisted of the following at December 31, 2021:

Furniture, fixtures and equipment	\$ 371,529
Computers and software	474,031
Leasehold improvements	<u>419,155</u>
Total Property, Equipment and Improvements	1,264,715
Less: Accumulated Depreciation and Amortization	<u>(1,207,050)</u>
Property, Equipment and Improvements, Net	<u>\$ 57,665</u>

Depreciation and amortization expense for the year ended December 31, 2021 amounted to \$43,746.

5. Commitments, Contingencies and Risks

Operating Lease

CIR leases office space under a multi-year noncancelable operating lease in Emeryville, California, which is set to expire on June 30, 2024. The lease provides for 3 months of rent abatement, and contains a fixed escalation clause for increases in the annual minimum rent. CIR is also required to pay its pro rata share of increases in real estate taxes and operating expenses.

CIR has recorded a lease obligation equal to the present value of the future payments under the terms of the lease, discounted at an estimated incremental borrowing rate of 4.5%. CIR has also recorded a right of use asset equal to the lease obligations. The asset will be amortized on a straight-line basis over the lease term. As of December 31, 2021, CIR has a total lease liability in the amount of \$1,471,385 for its office space and a corresponding right of use asset for the premises in the amount of \$1,321,076. Cash paid to reduce the lease liability was \$484,820 for the year ended December 31, 2021.

Total office rent expense for the year ended December 31, 2021 was \$563,704. CIR's proportionate share of real estate taxes and operating and maintenance costs for the year ended December 31, 2021 was \$367,733. Total lease cost was \$931,437 for the year ended December 31, 2021.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

5. Commitments, Contingencies and Risks (continued)

Operating Lease (continued)

Future minimum lease payments required under the office space lease are as follows:

For the Years Ending <u>December 31,</u>	
2022	\$ 610,030
2023	628,325
2024	<u>321,213</u>
Total	1,559,568
Less: Amount Representing Interest	<u>(88,183)</u>
Present Value of Lease Liability	<u>\$ 1,471,385</u>

Credit Risk

CIR maintains its cash and cash equivalents with certain commercial financial institutions, which aggregate balances may exceed, at times, the Federal Deposit Insurance Corporation insured limit of \$250,000 per depositor per institution. As of December 31, 2021, the aggregate balances were in excess of the insurance and therefore bear some risk since they are not collateralized. CIR monitors the creditworthiness of these institutions and has not experienced any credit losses on its cash and cash equivalents.

COVID-19

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses across the country for non-essential services. While the disruption is currently expected to be temporary, there is considerable uncertainty about the duration of closings. CIR has been able to continue most of its operations in a remote environment; and CIR continues to monitor the effects of the outbreak on operations; however, the eventual impact on CIR's financial condition or results of operations cannot be predicted.

6. Line of Credit

On October 8, 2021, CIR entered into an amended revolving line of credit agreement with a financial institution for \$1,000,000, which is renewable annually. Borrowings under the line bear interest rate per annum equivalent to the prime rate as published by The Wall Street Journal, which was 3.25% as of December 31, 2021. The line of credit is secured by CIR's business assets. As of December 31, 2021, there was no outstanding balance on this line of credit.

7. Note Payable – Paycheck Protection Program

To assist with operations, CIR applied for and received a SBA loan through the PPP in the amount of \$1,515,400. The loan was scheduled to mature on April 10, 2022 and included a fixed interest rate of 1% per annum. Payments of principal and interest were deferred while

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021**

7. Note Payable – Paycheck Protection Program (continued)

the loan was under consideration for forgiveness, pursuant to provisions of the PPP. On November 30, 2021, \$1,401,360 of CIR's PPP loan was approved for forgiveness by the SBA. CIR considers the \$114,040 as a note payable from the SBA and plans to repay the loan prior to its maturity date of April 21, 2025.

On April 6, 2021, CIR's second Small Business Administration loan application for the amount of \$1,200,900 was approved by a financial institution. The loan will mature in April 2026 with a fixed interest rate at 1% per annum. Consecutive monthly payments of principal of approximately \$20,015 plus interest at 1% will commence one month after the earlier of the following dates: (1) the date the financial institution receives the applicable forgiveness amount from the SBA; or (2) the date that is 10 months after the end of the forgiveness covered period, through the maturity date. The loan amount may be eligible for forgiveness pursuant to the Paycheck Protection Program, which requires a majority of the loan funds are to be used to cover payroll costs and the remainder is used for mortgage interest, rent and utility costs over a period after the loan is made, and the number of employees and compensation level are maintained.

8. Employee Retention Tax Credit

The ERTC was first established by the Coronavirus Aid, Relief, and Economic Security Act and was extended and expanded by the Consolidated Appropriations Act and the American Rescue Plan. ERTC provides a refundable tax credit against certain employment taxes equal to 50% of the first \$10,000 in qualified wages paid to each employee between March 12, 2020 and December 31, 2020 (2020 ERTC), and 70% of the first \$10,000, per quarter, in qualified wages paid to each employee between January 1, 2021 and September 30, 2021 (2021 ERTC). To be eligible, CIR must meet certain conditions as described in applicable laws and regulations.

CIR has determined that it qualifies for the 2020 ERTC, and therefore, is accounting for it as conditional grants under FASB ASC Subtopic 958-605. These grants are conditional upon certain performance requirements and the incurrence of eligible expenses. In the opinion of management, these conditions were met as of December 31, 2021, and therefore, the entire amount of \$250,271 that CIR expects to receive is included in accounts receivable in the accompanying consolidated statements of financial position. Eligibility for the credit and the credit calculations are subject to review and approval by the Federal government. In the opinion of management, the results of such reviews and audit will not have a material effect on the financial position of CIR as of December 31, 2021, and on the changes in its net assets for the year then ended.

CIR also received an advance payment totaling \$436,780 from the Internal Revenue Service (IRS) for the 2021 ERTC during the year ended December 31, 2021. On April 11, 2022, CIR received a notice from the IRS requesting CIR to pay back the \$436,780. Consequently, CIR recorded the \$436,780 advanced payment for the 2021 ERTC as deferred revenue in the accompanying consolidated statement of financial position. CIR is in the process of resolving the issue with the IRS.

THE CENTER FOR INVESTIGATIVE REPORTING, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

9. Program-Related Investments from Impact Partners

In November 2019, The Grab signed an agreement with Impact Partners for the financing of a documentary film, which will be produced by The Grab. Under the agreement, Impact Partners will provide \$1,250,000 as a program-related investment to further the missions of the Impact Partners members' foundations. The funds will be used to cover the expenses, which will be incurred in producing the documentary film. The Grab received a total of \$1,000,000 funding under this agreement through December 31, 2021. The Grab recorded the fund received as deferred revenue and recognized it as earned over time based to the percentage of completion of the documentary film. The Grab recognized \$687,500 in revenue during the year ended December 31, 2021. As of December 31, 2021, the Impact Partners has not paid the remaining funding commitment of \$250,000 under this agreement.

10. Net Assets With Donor Restrictions

As of December 31, 2021, net assets with donor restrictions were restricted for the following purposes or period:

Subject to expenditure for specified purpose:	
Reporting projects	\$ 555,000
Audience	447,890
The Grab documentary	<u>281,268</u>
Total Subject to Expenditure for Specified Purpose	1,284,158
Subject to occurrence of specified events/passage of time:	
Total Subject to Passage of Time	<u>2,897,442</u>
Total Net Assets With Donor Restrictions	<u>\$ 4,181,600</u>

11. Liquidity and Availability of Resources

CIR regularly monitors liquidity required to meet its annual operating needs and other contractual commitments. CIR's financial assets available within one year of the consolidated statement of financial position date for general expenditures at December 31, 2021, were as follows:

Cash and cash equivalents	\$ 2,127,942
Accounts receivable	374,384
Grants and contributions receivable	<u>3,285,442</u>
Total Financial Assets Available Within One Year	5,787,768
Less:	
Amounts unavailable for general expenditures within one year due to donors with purpose restrictions	<u>(2,293,386)</u>
Financial Assets Available to Meet General Expenditures Within One Year	<u>\$ 3,494,382</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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11. Liquidity and Availability of Resources (continued)

CIR has various sources of liquidity at its disposal, including cash and cash equivalents, which are available for general expenditures, liabilities and other obligations as they come due. Management is focused on sustaining the financial liquidity of CIR throughout the year. This is done through monitoring and reviewing CIR's cash flow needs on a regular basis. As a result, management is aware of the cyclical nature of CIR's cash flow related to CIR's various funding sources and is therefore able to ensure that there is cash available to meet current liquidity needs. To help manage unanticipated liquidity needs, CIR has a committed line of credit of \$1,000,000, of which the full amount was unused and available to draw upon as of December 31, 2021. CIR's line of credit is secured by CIR's business assets.

12. Net Assets Without Donor Restrictions and Management's Plan

As of December 31, 2021, CIR reported a deficit in its net assets without donor restrictions in the amount of \$870,304. Management expects CIR's second PPP loan to be forgiven in fiscal year 2022 which will increase CIR's net assets without donor restrictions above zero by a significant amount.

13. Retirement Plan

CIR maintains a Section 403(b) pension benefit plan for its eligible employees. CIR makes a discretionary match to the plan, which is 3% dollar-for-dollar match of an employee's deferral. Pension expense totaled \$136,445 for the year ended December 31, 2021.

14. Income Taxes

CIR qualified as a tax-exempt organization under Section 501(c)(3), of the Internal Revenue Code. Accordingly, CIR is exempt from the payment of taxes on income other than net unrelated business income. The Grab is treated as a disregarded entity for federal income tax purposes and, accordingly, CIR and Grab file a combined tax return. No provision for income taxes was required for the year ended December 31, 2021, as CIR and The Grab had no significant taxable unrelated business income during the year ended December 31, 2021.

CIR evaluated its uncertainty in income taxes for the year ended December 31, 2021, and determined that there were no matters that would require recognition in the consolidated financial statements or that may have any effect on its tax-exempt status; and there are currently no examinations pending or in progress. It is CIR's policy to recognize interest and/or penalties related to uncertainty in income taxes, if any, in income tax or interest expense. As of December 31, 2021, CIR had no accruals for interest and/or penalties.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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15. Summarized Comparative Financial Information

The accompanying consolidated financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional area. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with CIR's audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

16. Subsequent Events

In the preparation of the consolidated financial statements, CIR has evaluated events and transactions for potential recognition or disclosure through June 16, 2022, the date the consolidated financial statements were available to be issued. Except for the subsequent event disclosed in Note 8, Employee Retention Tax Credit and below. There were no subsequent events identified through June 16, 2022, that require recognition or disclosure in these consolidated financial statements.

On March 8, 2022, CIR entered into a sublease operating lease for its headquarters in Emeryville, California. The lease term is from the time the sublessor gained access of the leased premises through June 30, 2024. The lease requires monthly payments of \$30,461 plus a proportionate share of real estate taxes and operating costs. The lease provides a fixed escalation clause for increases in the annual minimum rent of 3% per year.

On April 1, 2022, CIR entered into an operating lease for its new headquarters in San Francisco, California. The lease has an initial term of April 1, 2022 through September 30, 2022 with the option for both parties to extend the lease for another term thereafter. The lease requires monthly payments of \$5,491.