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THE CENTER FOR PUBLIC INTEGRITY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2011 AND 2010

Matthews, Carter & Boyce
RESPECT. CONFIDENCE. TRUST.

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THE CENTER FOR PUBLIC INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

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MATTHEWS, CARTER & BOYCE
RESPECT. CONFIDENCE. TRUST.

INDEPENDENT AUDITORS' REPORT

Board of Directors
The Center for Public Integrity
Washington, DC

We have audited the accompanying statements of financial position of The Center for Public Integrity (the Center) as of December 31, 2011 and 2010, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Public Integrity, as of December 31, 2011 and 2010, and its activities and changes in net assets, and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Matthews, Carter and Boyce

Fairfax, Virginia
May 18, 2012

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THE CENTER FOR PUBLIC INTEGRITY

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS		
Cash and cash equivalents	$ 617,535	$ 240,244
Investments	15,325	977,242
Accounts receivable	4,000	23,597
Pledges receivable	115,403	-
Grants receivable	2,463,000	4,444,384
Contracts receivable, net of discount of $0 and $37,500	-	112,500
Employee advances	12,115	15,538
Prepaid expenses	77,340	33,534
Total Current Assets	$ 3,304,718	$ 5,847,039
PROPERTY AND EQUIPMENT		
Furniture and equipment	$ 445,072	$ 390,741
Website	105,383	105,383
Leasehold improvements	300,270	277,320
Total cost	$ 850,725	$ 773,444
Less: accumulated depreciation	(474,693)	(365,488)
Net Property and Equipment	$ 376,032	$ 407,956
OTHER ASSETS		
Grants receivable, net of current portion and discount of $12,722 and $37,679	$ 282,717	$ 837,321
Investments	2,215,023	3,402,142
Deposits	41,724	41,724
Total Other Assets	$ 2,539,464	$ 4,281,187
TOTAL ASSETS	$ 6,220,214	$ 10,536,182

See independent auditors' report and notes to financial statements.

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 146,714	$ 240,630
Accrued salaries and benefits	186,412	115,239
Grants payable	696,122	803,726
Capital lease obligation	-	2,073
Building allowance, current portion	16,323	16,323
Line of credit	500,000	-
Total Current Liabilities	$ 1,545,571	$ 1,177,991
LONG-TERM LIABILITIES		
Deferred rent	$ 327,885	$ 211,227
Building allowance, non-current portion	110,183	126,506
Total Liabilities	$ 1,983,639	$ 1,515,724
NET ASSETS		
Unrestricted:		
Other unrestricted	$ (1,857,564)	$ 2,273,649
Board designated	782,938	1,016,171
Total Unrestricted	$ (1,074,626)	$ 3,289,820
Temporarily restricted	4,019,746	4,710,638
Permanently restricted	1,291,455	1,020,000
Total Net Assets	$ 4,236,575	$ 9,020,458
TOTAL LIABILITIES AND NET ASSETS	$ 6,220,214	$ 10,536,182

THE CENTER FOR PUBLIC INTEGRITY

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contributions	597,232	$ 3,677,901	$ 250,000	$ 4,525,133
Consulting fees and royalties	42,160	-	-	42,160
Board gifts	202,950	400,000	500	603,450
Event income	-	-	-	-
Cost of direct benefit to donors	-	-	-	-
Other revenue	65,907	-	-	65,907
Net assets released from restriction due to satisfaction of program or time restrictions	4,768,793	(4,768,793)	-	-
Total Revenue and Support	$ 5,677,042	$ (690,892)	$ 250,500	$ 5,236,650
Investment activity:				
Interest and dividend income	$ 44,228	$ -	$ 20,955	$ 65,183
Realized gain on investments	69,843	-	-	69,843
Unrealized gain (loss) on investments	(79,239)	-	-	(79,239)
Total Investment Activity	$ 34,832	$ -	$ 20,955	$ 55,787
Total Revenue, Support and and Investment Activity	$ 5,711,874	$ (690,892)	$ 271,455	$ 5,292,437
EXPENSES				
Program services				
Communications	$ 183,857	$ -	$ -	$ 183,857
Environmental	1,044,751	-	-	1,044,751
International Consortium of Investigative Journalists (ICIJ)	1,549,050	-	-	1,549,050
Money and politics	996,930	-	-	996,930
Defense and security	65,041	-	-	65,041
Financial sector	697,415	-	-	697,415
Fiscal sponsorship	860,050	-	-	860,050
Editorial management	1,361,340	-	-	1,361,340
Health care	727,069	-	-	727,069
State integrity	849,655	-	-	849,655
Social issues	326,609	-	-	326,609
Other	-	-	-	-
Total Program Services	$ 8,661,767	$ -	$ -	$ 8,661,767
Support services				
Management and general	$ 208,791	$ -	$ -	$ 208,791
Fundraising and development	1,205,762	-	-	1,205,762
Total Support Services	$ 1,414,553	$ -	$ -	$ 1,414,553
Total Expenses	$ 10,076,320	$ -	$ -	$ 10,076,320
CHANGE IN NET ASSETS, restated for 2010	$ (4,364,446)	$ (690,892)	$ 271,455	$ (4,783,883)
NET ASSETS, BEGINNING OF YEAR	3,289,820	4,710,638	1,020,000	9,020,458
NET ASSETS, END OF YEAR	$ (1,074,626)	$ 4,019,746	$ 1,291,455	$ 4,236,575

See independent auditors' report and notes to financial statements.

2010			
Unrestricted	Temporarily Restricted	Permanently Restricted	Total
$ 1,690,368	$ 6,875,549	$ -	$ 8,565,917
267,721	-	-	267,721
29,750	250,000	-	279,750
59,050	-	-	59,050
(57,947)	-	-	(57,947)
17,790	-	-	17,790
4,244,497	(4,244,497)	-	-
$ 6,251,229	$ 2,881,052	$ -	$ 9,132,281
77,445	$ -	$ -	$ 77,445
55,271	-	-	55,271
129,403	-	-	129,403
$ 262,119	$ -	$ -	$ 262,119
$ 6,513,348	$ 2,881,052	$ -	$ 9,394,400
$ 521,427	$ -	$ -	$ 521,427
365,147	-	-	365,147
1,280,256	-	-	1,280,256
937,857	-	-	937,857
67,524	-	-	67,524
465,298	-	-	465,298
1,359,009	-	-	1,359,009
320,086	-	-	320,086
-	-	-	-
-	-	-	-
186,319	-	-	186,319
884,470	-	-	884,470
$ 6,387,393	$ -	$ -	$ 6,387,393
$ 128,758	-	-	$ 128,758
1,092,198	-	-	1,092,198
$ 1,220,956	$ -	$ -	$ 1,220,956
$ 7,608,349	$ -	$ -	$ 7,608,349
$ (1,095,001)	$ 2,881,052	$ -	$ 1,786,051
4,384,821	1,829,586	1,020,000	7,234,407
$ 3,289,820	$ 4,710,638	$ 1,020,000	$ 9,020,458

THE CENTER FOR PUBLIC INTEGRITY

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011	2010
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	$ (4,783,883)	$ 1,786,051
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	$ 109,205	$ 41,614
Unrealized (gain) loss on investments	79,239	(129,403)
Donated securities	(1,032)	(8,910)
Realized gain on investments	(69,843)	(55,271)
Change in assets and liabilities		
(Increase) Decrease in Assets:		
Accounts receivable	19,597	(23,597)
Pledges receivable	(115,403)	42,125
Grants receivable	2,535,988	(3,157,377)
Contracts receivable	112,500	(112,500)
Employee advances	3,423	(15,538)
Prepaid expenses	(43,806)	40,573
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses	(93,916)	146,553
Accrued salaries and benefits	71,173	26,257
Grants payable	(107,604)	803,726
Deferred rent	116,658	118,408
Building allowance	(16,323)	142,829
Total Adjustments	$ 2,599,856	$ (2,140,511)
Net Cash Used by Operating Activities	$ (2,184,027)	$ (354,460)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid for purchases of property and equipment	$ (77,281)	$ (384,720)
Purchases of investments	(1,118,908)	(2,701,331)
Increase in deposits	-	(13,620)
Sale of investments	3,259,580	3,525,000
Net Cash Provided by Investing Activities	$ 2,063,391	$ 425,329
CASH FLOWS FROM FINANCING ACTIVITIES		
Line of credit	$ 500,000	$ -
Payments under capital lease obligation	(2,073)	(12,049)
Net Cash Provided (Used) in Financing Activities	$ 497,927	$ (12,049)
NET INCREASE IN CASH	$ 377,291	$ 58,820
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	240,244	181,424
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 617,535	$ 240,244
SUPPLEMENTAL INFORMATION		
Interest paid	$ 7,116	$ 683

There were no non-cash investing or financing activities during the years ended December 31, 2011 and 2010.

See independent auditor's report and notes to financial statements.

THE CENTER FOR PUBLIC INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2011

	Program Services																
	Communi-cations	Environ-mental	ICIJ	Money & Politics	Defense & Security	Financial Sector	Fiscal Sponsorship	Editorial Management	Health Care	State Integrity	Social Issues	Other	Total	Management & General	Fundraising & Development	Total	Total Expenses
Personnel																	
Wages	$ 87,930	$ 648,229	$ 579,080	$ 612,153	$ 42,509	$ 425,557	$ -	$ 590,398	$ 421,475	$ 80,472	$ 114,805	$ -	$ 3,602,608	$ 560,327	$ 703,391	$ 1,263,718	$ 4,866,326
Payroll taxes	6,579	44,520	41,686	42,776	1,698	31,945	-	41,927	31,380	5,506	7,477	-	255,494	42,324	50,062	92,386	347,880
403(b) employer match	2,612	17,675	16,526	17,607	1,024	12,500	-	16,336	12,218	2,270	3,219	-	101,987	16,120	19,362	35,482	137,469
Employee benefits	6,826	45,123	41,350	43,129	1,747	32,405	-	42,115	30,498	5,866	7,428	-	256,487	41,573	51,026	92,599	349,086
Total Personnel	$ 103,947	$ 755,547	$ 678,642	$ 715,665	$ 46,978	$ 502,407	$ -	$ 690,776	$ 495,571	$ 94,114	$ 132,929	$ -	$ 4,216,576	$ 660,344	$ 823,841	$ 1,484,185	$ 5,700,761
Operating																	
Advertising and promotion	$ 400	$ -	$ 580	$ -	$ -	$ -	$ -	$ 3,831	$ -	$ -	$ -	$ -	$ 4,811	$ 2,959	$ 600	$ 3,559	$ 8,370
Bad debt	-	-	-	-	-	-	-	-	-	-	-	-	-	21,410	-	21,410	21,410
Bank charges and fees	-	20	377	-	20	-	-	370	-	-	-	-	787	7,350	5,844	13,194	13,981
Consulting/contract staff	13,951	42,372	420,944	44,856	2,500	34,878	-	251,974	82,979	176,624	152,186	-	1,223,264	107,059	39,554	146,613	1,369,877
Copying and printing	13,414	1,100	4,033	134	56	2,103	-	7,010	-	82	178	-	28,110	3,173	19,210	22,383	50,493
Depreciation/amortization	-	-	-	-	-	-	-	-	-	-	-	-	-	109,205	-	109,205	109,205
Dues and filing fees	540	-	1,085	-	-	60	-	2,097	-	-	-	-	3,782	3,294	5,406	8,700	12,482
Equipment purchase/lease	-	257	7,428	2,851	-	87	-	(5,022)	-	-	-	-	5,601	19,998	984	20,982	26,583
Fiscal sponsor expenses	-	-	-	-	-	-	860,050	-	-	-	-	-	860,050	-	-	-	860,050
Grants and awards	-	-	18,000	-	-	-	-	-	-	550,000	-	-	568,000	5,000	-	5,000	573,000
Insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	34,933	-	34,933	34,933
Interest and finance charges	-	-	-	-	-	-	-	4	-	-	-	-	4	7,112	-	7,112	7,116
Meetings and conferences	-	-	-	-	-	-	-	9,082	-	-	-	-	9,082	-	-	-	9,082
Miscellaneous expenses	-	-	2	-	-	-	-	1,079	-	-	-	-	1,081	351	251	602	1,683
Recruiting	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000	4,056	60	4,116	12,116
Rent	-	-	75	-	-	-	-	-	-	-	-	-	75	516,178	-	516,178	516,253
Repairs and maintenance	-	-	918	-	-	-	-	421	-	-	-	-	1,339	241	900	1,141	2,480
Research	1,775	639	10,278	22,484	-	1,895	-	71,869	35	-	440	-	109,415	126	3,774	3,900	113,315
Postage and shipping	462	385	956	93	-	506	-	775	25	38	-	-	3,240	3,912	2,663	6,575	9,815
Subscriptions	-	13	567	405	-	-	-	221	-	-	-	-	1,206	1,447	220	1,667	2,873
Supplies - office	314	162	1,822	-	63	94	-	4,016	7	-	-	-	6,478	25,385	1,192	26,577	33,055
Technology services	19,024	377	11,570	200	-	-	-	95,837	600	-	-	-	127,608	47,437	23,640	71,077	198,685
Telephone	-	-	4,524	76	-	108	-	2,239	-	526	176	-	7,649	805	1,024	1,829	9,478
Training	-	-	7,000	-	-	15	-	-	-	-	-	-	7,015	-	-	-	7,015
Travel	416	31,002	177,223	4,001	1,108	11,940	-	25,923	5,905	1,169	2,035	-	260,722	71,778	39,709	111,487	372,209
Total Operating Expenses	$ 50,296	$ 76,327	$ 675,382	$ 75,100	$ 3,747	$ 51,686	$ 860,050	$ 471,726	$ 89,551	$ 728,439	$ 155,015	$ -	$ 3,237,319	$ 993,209	$ 145,031	$ 1,138,240	$ 4,375,559
Allocate Overhead	$ 29,614	$ 212,877	$ 195,026	$ 206,165	$ 14,316	$ 143,322	$ -	$ 198,838	$ 141,947	$ 27,102	$ 38,665	$ -	$ 1,207,872	$ (1,444,762)	$ 236,890	$ (1,207,872)	$ -
Total Expenses	$ 183,857	$ 1,044,751	$ 1,549,050	$ 996,930	$ 65,041	$ 697,415	$ 860,050	$ 1,361,340	$ 727,069	$ 849,655	$ 326,609	$ -	$ 8,661,767	$ 208,791	$ 1,205,762	$ 1,414,553	$ 10,076,320

See independent auditor's report and notes to financial statements.

THE CENTER FOR PUBLIC INTEGRITY

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2010

	Program Services														
	Communi-cations	Environ-mental	ICIJ	Money & Politics	Defense & Security	Financial Sector	Fiscal Sponsorship	Editorial Management	Social Issues	Other	Total	Management & General	Fundraising & Development	Total	Total Expenses
Personnel															
Wages	$ 261,404	$ 216,209	$ 534,381	$ 559,380	$ 37,551	$ 271,635	$ -	$ 104,630	$ 87,368	$ 164,936	$ 2,237,494	$ 545,520	$ 504,838	$ 1,050,358	$ 3,287,852
Payroll taxes	18,016	15,543	40,250	42,838	3,092	20,609	-	8,248	7,434	13,345	169,375	38,378	35,034	73,412	242,787
403(b) employer match	6,915	5,256	13,748	14,465	965	7,055	-	2,712	2,393	4,271	57,780	13,076	12,103	25,179	82,959
Employee benefits	19,383	16,368	41,425	43,447	2,977	21,254	-	9,194	6,669	13,447	174,164	37,782	37,653	75,435	249,599
Total Personnel	$ 305,718	$ 253,376	$ 629,804	$ 660,130	$ 44,585	$ 320,553	$ -	$ 124,784	$ 103,864	$ 195,999	$ 2,638,813	$ 634,756	$ 589,628	$ 1,224,384	$ 3,863,197
Operating															
Advertising and promotion	$ 8,730	$ -	$ 1,791	$ 315	$ -	$ -	$ -	$ (10)	$ 90	$ -	$ 10,916	$ 13,040	$ 537	$ 13,577	$ 24,493
Bank charges and fees	(40)	-	476	-	-	-	35	(20)	-	-	451	3,752	5,071	8,823	9,274
Consulting/contract staff	44,755	2,388	244,158	9,493	4,996	2,983	191,652	26,541	25,591	37,670	590,227	127,447	144,460	271,907	862,134
Copying and printing	5,714	391	2,150	(34)	55	226	405	1,909	848	20	11,684	3,367	14,196	17,563	29,247
Depreciation/amortization	-	-	-	-	-	-	-	-	-	-	-	41,614	-	41,614	41,614
Dues and filing fees	2,646	20	605	-	-	-	1,277	1,842	200	-	6,590	7,368	4,039	11,407	17,997
Equipment purchase/lease	-	-	408	-	-	-	3,889	515	-	-	4,812	15,545	9,779	25,324	30,136
Fiscal sponsor expenses	-	-	-	-	-	-	1,151,909	-	-	-	1,151,909	-	-	-	1,151,909
Grants and awards	-	-	15,304	-	-	-	-	-	-	478,463	493,767	-	-	-	493,767
Insurance	-	-	-	-	-	-	-	-	-	-	-	13,029	-	13,029	13,029
Interest and finance charges	-	-	-	-	-	-	-	-	-	-	-	683	-	683	683
Meetings and conferences	1,216	409	5,843	105	123	801	300	2,121	61	225	11,204	11,275	1,766	13,041	24,245
Miscellaneous expenses	-	-	127	-	-	-	-	-	-	-	127	3,717	305	4,022	4,149
Recruiting	1,121	-	425	-	-	607	-	1,108	-	99,448	102,709	3,056	-	3,056	105,765
Rent	-	-	350	-	-	-	-	-	25	-	375	394,418	34	394,452	394,827
Repairs and maintenance	-	-	-	-	-	-	-	-	-	-	-	2,398	-	2,398	2,398
Research	7	354	1,680	1,423	-	2,370	-	92,682	8,888	-	107,404	115	3,895	4,010	111,414
Postage and shipping	596	121	1,214	8	-	71	157	98	250	46	2,561	4,374	5,419	9,793	12,354
Subscriptions	-	10	163	-	-	-	-	-	25	7	205	752	1,071	1,823	2,028
Supplies - office	228	93	216	3	-	-	81	897	83	-	1,601	17,822	9,384	27,206	28,807
Technology services	19,558	149	8,025	342	-	36	4,455	2,597	747	-	35,909	87,982	10,622	98,604	134,513
Telephone	4,213	-	7,823	574	-	64	206	1,800	722	655	16,057	17,090	3,769	20,859	36,916
Travel	3,296	5,548	106,880	857	-	9,077	1,952	13,722	3,591	(6,094)	138,829	25,238	49,386	74,624	213,453
Total Operating Expenses	$ 92,040	$ 9,483	$ 397,638	$ 13,086	$ 5,174	$ 16,235	$ 1,356,318	$ 145,802	$ 41,121	$ 610,440	$ 2,687,337	$ 794,082	$ 263,733	$ 1,057,815	$ 3,745,152
Allocate Overhead	$ 123,669	$ 102,288	$ 252,814	$ 264,641	$ 17,765	$ 128,510	$ 2,691	$ 49,500	$ 41,334	$ 78,031	$ 1,061,243	$ (1,300,080)	$ 238,837	$ (1,061,243)	$ -
Total Expenses	$ 521,427	$ 365,147	$ 1,280,256	$ 937,857	$ 67,524	$ 465,298	$ 1,359,009	$ 320,086	$ 186,319	$ 884,470	$ 6,387,393	$ 128,758	$ 1,092,198	$ 1,220,956	$ 7,608,349

THE CENTER FOR PUBLIC INTEGRITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2011 AND 2010

Note 1. Organization and Programs

The Center for Public Integrity (the Center) is a nonprofit, nonpartisan organization whose purpose is to produce original investigative journalism about significant public issues to make institutional power more transparent and accountable.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation
Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*, which is codified at FASB ASC 958. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Revenue Recognition
The Center accounts for contributions in accordance with the recommendations of SFAS 116, *Accounting for Contributions Received and Contributions Made* which is codified at FASB ASC 958. Under the guidelines of FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor, including pledges, is reported as an increase in temporarily restricted or permanently restricted net assets, depending on the nature of the restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Contributions for which restrictions are met in the same period as received are reported as unrestricted contributions.

The Center reports gifts of equipment as unrestricted support unless explicit stipulations specify how the donated assets must 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 restricted support. Absent explicit stipulations about how long those long-lived assets must be maintained, the Center reports expirations of restrictions when the assets are placed in service.

Contributions, Grants, Accounts Receivable and Allowance for Doubtful Accounts
All contributions and grants are considered to be available for unrestricted use unless specifically restricted by the donor. Unconditional contributions and grants are recognized as revenue in the period the pledge is received. Conditional contributions and grants are recognized when the conditions on which they depend are substantially met.

Pledges which are to be received in a future period are discounted to their net present value at the time the pledge is received.

Note 2. Summary of Significant Accounting Policies (Continued)

Donated investments are reflected in the accompanying financial statements at their estimated fair values at the date of donation. During the years ended December 31, 2011 and 2010, the Center received investments with an estimated fair value of $1,032 and $8,910, respectively.

Accounts receivable are recorded at the lower of cost or fair value. The risk of loss on the receivables is the balance due at the time of default. All receivables are unsecured. The Center uses the allowance method to determine uncollectible contributions and other receivables. The allowance is based upon experience, management's analysis of specific promises made, and other historical factors that pertain to the receivables. No interest is accrued on receivables. Management has determined that no allowance is necessary for the years ended December 31, 2011 and 2010, respectively.

Donated Goods and Services
The Center receives donated goods and services. Donated goods are recorded as in-kind contributions at their estimated fair value at the date of donation. The Center recognizes contribution revenue for certain contributed services received at the fair value of those services, based upon the requirements of FASB ASC 958. There were no in-kind contributions received during the years ended December 31, 2011 and 2010.

Property and Equipment and Depreciation
The Center capitalizes fixed assets with an original cost of $3,000 or more. Leasehold improvements, software, furniture, and equipment are recorded at cost. Donated equipment is reflected in the accompanying financial statements at its estimated value at the date of receipt. Depreciation is provided for in amounts sufficient to relate the cost of the depreciable assets to operations using the straight-line method over estimated useful lives of three to ten years. Leasehold improvements are amortized over the life of the lease.

Cash and Cash Equivalents
Cash and cash equivalents consists of cash on hand and cash in checking, money market and investment accounts at financial institutions.

Investments
Investments are recorded at fair market value. Unrealized gains and losses are reported separately in the Statement of Activities and Changes in Net Assets.

Functional Allocation of Expenditures
The costs of providing various programs and other activities of the Center have been summarized on a functional basis in the accompanying financial statements. Costs that can be identified with particular programs or support functions are charged directly to that program or function. Salaries and related costs have been allocated among the programs and supporting services based upon timesheet allocations and management's best estimates of the proportion of these costs applicable to each program. Other allocable costs have been allocated to program services and to support services based upon management's best estimates.

Note 2. Summary of Significant Accounting Policies (Concluded)

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

Fair Value of Financial Instruments
Items considered to be financial instruments (cash, contributions receivable, and accounts payable) are stated in the accompanying financial statements at amounts that approximate their fair value.

Income Taxes
The Internal Revenue Service has determined that the Center is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Income that is not related to exempt purposes, less applicable deductions, is subject to federal and state corporate income taxes. The Center did not engage in activities that might give rise to income tax during 2011 and 2010 respectively. Accordingly, no provision for income tax is made in the accompanying financial statements.

The Center has adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48), as permitted by FASB Staff Position (FSP) FIN 48-3, which is codified at FASB ASC 740. FASB ASC 740 requires changes in recognition and measurement for uncertain tax positions. The Center has analyzed its tax positions and has concluded that no liability should be recorded related to any uncertain tax positions. The Center is not aware of any tax positions which it believes will change materially in the next twelve months. If this position changes, the Center will assess the impact of any such matters on its financial position and results of operations.

The Center files its information tax returns for Federal and District of Columbia reporting purposes. Currently, the 2010, 2009 and 2008 tax returns are open and subject to examination. The Center is currently not under audit by any tax jurisdiction.

Note 3. Accounts and Grants Receivable

Grants receivable are recognized when the donor makes a promise to give to the Center, that is, in substance, unconditional. Unconditional grants receivable due in the next year are reflected as current assets and are recorded at their net realizable value. Grants receivable due in subsequent years are reflected as long-term assets and are recorded at the present value of their net realizable value, discounted using risk-free interest rates applicable to the years in which the grants are received.

Note 3. Accounts and Grants Receivable (Concluded)

Grants receivable at December 31, 2011 and 2010 are as follows:

	2011	2010
Receivable in less than one year	$ 2,463,000	$ 4,444,384
Receivable in two to five years	295,439	875,000
Total Grants Receivable	$ 2,758,439	$ 5,319,384
Less discounts to net present value	(12,722)	(37,679)
Net Grants Receivable	$ 2,745,717	$ 5,281,705

The receivables have been discounted using a discount rate of 4.5%. The net discount recorded as of December 31, 2011 and 2010, was $12,722 and $37,679, respectively, and is reflected in the financial statements as a reduction of the long term grants receivable.

Management believes that all contributions, accounts and grants receivable are collectible. Accordingly, no provision for uncollectible accounts is included in the accompanying financial statements.

Note 4. Investments

The Center adopted the provisions of SFAS No. 157, Fair Value Measurements, which was codified FASB ASC 820, "Fair Value Measurements and Disclosures" (ASC 820) in September 2009. In accordance with FASB ASC 820, the Center has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statement of Financial Position are categorized based on the inputs to valuation techniques as follows:

- Level 1 – Inputs to the valuation methodology are quoted in an active market
- Level 2 – Inputs to the valuation methodology are inputs other than quoted prices that are observable for the assets
- Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

All of the investment assets recorded in the Statement of Financial Position are Level 1 assets.

Note 4. Investments (Concluded)

The Center's investments are maintained in a brokerage account and were comprised of the following at December 31, 2011 and 2010:

	2011	2010
Global balanced asset allocation fund - GMO	$ 2,215,023	$ 3,402,142
Equity investments	10,750	8,910
Bond funds	4,575	968,332
Total	$ 2,230,348	$ 4,379,384

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for use for the following purposes or periods at December 31, 2011:

International Consortium of Investigative Journalism (ICIJ)	$ 291,543
The Ujima project	291,515
Looting the Seas	104,583
Citizens United project	159,223
State integrity project	595,545
Digital Transformation	874,586
Editorial collaboration	11,945
Toxic chemicals	291,963
Families in Crisis	63,819
Health Information Technology	65,258
Juvenile Justice	174,121
Gulf Coast	10,422
National Security	344,182
Communications	55,347
Capacity Building	57,500
Editorial	103,194
Health Care	250,000
Fact Checking	25,000
Time restricted	250,000
Total	$ 4,019,746

Note 5. Temporarily Restricted Net Assets (Continued)

Temporarily restricted net assets were available for use for the following purposes or periods at December 31, 2010:

International Consortium of Investigative Journalism (ICIJ)	$	424,646
The Ujima project		409,076
Looting the Seas		300,413
Citizens United project		75,000
State integrity project		1,487,082
Guns		42,279
Digital Transformation		1,298,901
Editorial collaboration		150,000
Toxic chemicals		89,210
Huffington Post Investigative Fund Merger/Center 2.0		184,031
Time restricted		250,000
Total	$	4,710,638

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The following is a summary of assets released from restriction during the year ended December 31, 2011 and 2010:

		2011
ICIJ	$	173,734
The Ujima project		267,561
Looting the Seas		445,830
Citizens United project		111,278
Guns		42,279
Digital Transformation		424,313
Fiscal sponsorship		859,750
Editorial general		142,361
Environmental general		125,000
Toxic chemicals		107,247
The Pearl Project		2,200
Time restricted		250,000
Huffington Post Investigative Fund Merger/Center 2.0		184,031
Communications		11,320
Capacity Building		9,167
Editorial		9,167
Families in Crisis		77,181
Health Information Technology		150,181
Health Care		185,462
State integrity project		904,456
Juvenile Justice		100,879
Gulf Coast		4,578
National Security		55,818
Fact Checking Website		50,000
Event		75,000
	$	4,768,793

Note 5. Temporarily Restricted Net Assets (Concluded)

	2010
ICIJ	$ 734,723
Investigative News Network	506,429
The Ujima project	87,924
Looting the Seas	208,117
Citizens United project	(29,412)
Guns	32,721
Digital Transformation	159,099
Fiscal sponsorship	1,448,473
Data mine	70,000
Transportation	8,314
Editorial general	25,500
Environmental general	500,000
Toxic chemicals	160,790
The Pearl Project	13,450
Time restricted	250,000
Huffington Post Investigative Fund Merger/Center 2.0	65,969
Event	2,400
	$ 4,244,497

Note 6. Permanently Restricted Net Assets

During 2008, $1,020,000 in permanently restricted endowment funds were contributed to the Center from the Fund for Independence in Journalism (Note 12). Prior to 2011, the earnings from the endowment were considered unrestricted and used for investigative journalism purposes. In 2011, the donor instituted additional restrictions on endowment earnings and required the Center to restore $250,000 of estimated investment returns from year prior to 2011 to the endowment fund. For years subsequent to 2011, the Center is planning to distribute 4% to 5% of the value of the endowment to general operating funds. The value of the endowment will be calculated on a rolling three year average.

The Center has adopted investment policies based on the requirements of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and in accordance with donor restrictions, contributions to the endowment fund are classified as permanently restricted net assets. Income from the fund is also classified as an increase in permanently restricted net assets.

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2011 and 2010 are as follows:

	Permanently Restricted
Endowment net assets, December 31, 2009	$ 1,020,000
Contributions	-
Endowment net assets, December 31, 2010	$ 1,020,000
Transfers from unrestricted funds	250,000
Investment return	20,955
Contributions	500
Endowment net assets, December 31, 2011	$ 1,291,455

Note 7. Retirement Plan

The Center maintains a tax-deferred annuity plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code. The Plan covers full-time employees meeting certain service requirements. The Plan allows all participants to contribute up to statutory limits as set by the Internal Revenue Service. The Center has implemented a safe harbor provision under which it makes contributions of at least 4% each year for employees. The Center has the discretion to make additional matching or non-matching contributions. For the years ended December 31, 2011 and 2010, the Center contributed $137,469 and $82,959, respectively, to the Plan.

Note 8. Lease Commitments

The Center leases office and storage space in the District of Columbia under a non-cancelable agreement expiring in 2019 which was amended in 2009. The lease amendment provides for: a renewal option for an additional period of five years at an annual rate to be agreed upon by landlord and tenant; and included a build-out allowance of approximately $251,000. Building improvements of approximately $145,000 were made during 2010 under the terms of the build-out allowance. The remaining build-out allowance of approximately $106,000 was applied to two month's rent expense in 2010 and one month's rent expense in 2011. Three months of rent were also abated in 2009. Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statements purposes is shown as deferred rent in the Statement of Financial Position. The build-out allowance will be amortized over the lease term. During December 2010, the Center amended the lease by adding additional space on the second and third floors of the building. The lease for the additional space began on January 1, 2011 and expires on December 31, 2013.

Minimum lease payments are as follows for future years ending December 31,

2012	$ 524,762
2013	537,850
2014	377,135
2015	392,192
2016	401,989
Thereafter	1,157,107
Total	$ 3,391,035

The Center has entered into one agreement to sublease a portion of its office space to an unrelated third party for an initial period of one year and month to month thereafter. Minimum sublease income under this sublease was $450 per month for the years ended December 31, 2011 and 2010.

Rent expense for the years ended December 31, 2011 and 2010 was $516,253 and $394,827, respectively.

Note 8. Lease Commitments (Concluded)

The Center entered into a capital lease obligation in 2006 for the use of a phone system. The cost of the phone system has been capitalized and is included in furniture and equipment in the accompanying financial statements. The phone system is being depreciated over the lease term of 60 months, which is included in depreciation and amortization in the accompanying financial statements. As of December 31, 2011 and 2010, the lease property has a cost of $54,636 and related accumulated amortization of $54,636 and $51,904, respectively. The capital lease was fully repaid in 2011.

Note 9. Line of Credit

During February 2011, the Center entered into a $500,000 line of credit with Wells Fargo Bank, N.A. Interest accrues on the outstanding balance at the Bank's Prime rate plus 1.10%. The agreement is secured by all of the personal property of the Center including all accounts, equipment, accessions, inventory, chattel paper, instruments, investment property, documents, letter-of-credit rights, deposit accounts, and general intangibles, wherever located. The line of credit is due and payable on demand. At December 31, 2011, the outstanding balance was $500,000.

Subsequent to year end the Center paid off the $500,000 balance on the line of credit.

Note 10. Contingencies

The Center receives a significant portion of its revenue from grants. The ultimate determination of amounts received under these programs often is based on allowable costs reported to the donor. In some instances, the donor reserves the right to audit the program costs. Until the final settlement is reached with each donor, there exists a contingency to refund any amount received for costs deemed unallowable in an audit conducted by a donor.

Note 11. Concentrations

Credit Risk

The Center maintains cash balances in national financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC). The Center consistently maintains cash balances in excess of the FDIC insurable amount. The Center has not experienced any losses in such accounts.

Major Contributors

Eight donors contributed 48% of the Center's revenue in 2011. As of December 31, 2011, there was $820,000 recorded as a receivable from these donors.

Three donors contributed 42% of the Center's revenue in 2010. As of December 31, 2010, there was $2,549,875 recorded as a receivable from these donors.

Note 12. Permanently Restricted and Board Designated Net Assets - Fund for Independence in Journalism

In December of 2008, the Board of Directors of the Fund for Independence in Journalism (the Fund) adopted a resolution to make the organization dormant. The Fund was established in 2003 under the IRS Code Section 509(a)(3) as a supporting organization for the Center. Going forward the Fund will have minimal operations to preserve both its tax status and name should the Fund's Board of Directors decide at some time in the future to reactivate the Fund.

A resolution by the Board of Directors of the Fund on December 11, 2008, established a new three-person Board of Directors composed of Center personnel, outlined steps for wrapping up active operations, and directed the Fund to make a grant to the Center of substantially all its assets. The Fund and the Center entered into a grant agreement describing the assets to be transferred. All assets have been transferred to the Center as of the date of this report and are reflected in the 2011 and 2010 financial statements of the Center. The assets transferred from the Fund to the Center consisted of $1,020,000 in permanently restricted net assets and $902,384 in Board designated net assets. The permanently restricted net assets are to be used to continue the Center's investigative journalism.

The assets that were transferred from the Fund to the Center were transferred on December 31, 2008 or in January 2009 into a global asset allocation fund whereby investment gains and losses are allocated between unrestricted, board designated and permanently restricted net assets.

Note 13. Presentation of Prior Year Financial Statements

Certain accounts and descriptions in the prior year financial statements have been modified for comparative purposes to conform with the presentation of the current year financial statements.

Note 14. Subsequent Events

The Center has evaluated events through May 18, 2012 the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2011, that would have a material impact on the Center's results of operations or financial position as of December 31, 2011.

The Center experienced significant financial difficulties in 2011 due to unanticipated expenditures associated with launching a new business model to diversify revenue streams and the merger with the Huffington Post Investigative Fund. In addition, there was a substantial gap between projected and actual revenue. The Center used cash on hand and long-term reserves to cover the deficit. In 2012, expenses were cut, and management, with the support and active assistance of its Board of Directors, is focused on raising general support funds to address the issue of negative unrestricted net assets and seeking full funding for all editorial projects. Through the end of March, fundraising revenue has exceeded its projections, and substantial new grants have been received or have been committed for current and future years. Management has also identified potential contingency cuts should they be warranted in June/July.

Note 15. Prior Period Adjustment

The accompanying financial statements for 2010 have been restated to correct an error regarding reimbursable expenses for a fiscal sponsor made in 2010. The effect of the restatement was to increase unrestricted net assets for 2010 by $100,000.