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THE CENTER FOR PUBLIC INTEGRITY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITORS' REPORT

DECEMBER 31, 2015

MATTHEWS, CARTER & BOYCE
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THE CENTER FOR PUBLIC INTEGRITY

FINANCIAL STATEMENTS

DECEMBER 31, 2015

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MATTHEWS, CARTER & BOYCE
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70 YEARS 1947-2017

Independent Auditors' Report

Board of Directors
The Center for Public Integrity
Washington, D.C.

We have audited the accompanying financial statements of The Center for Public Integrity (the Center), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and changes in net assets, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Center for Public Integrity as of December 31, 2015, 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.

Matthews, Carter and Boyce

Fairfax, Virginia
March 14, 2017

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THE CENTER FOR PUBLIC INTEGRITY

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2015

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 813,119
Investments, current portion	9,430
Accounts receivable	19,629
Pledges receivable	216,258
Grants receivable, current portion	3,587,823
Prepaid expenses	56,478
Total Current Assets	$ 4,702,737
PROPERTY AND EQUIPMENT	
Furniture and equipment	$ 450,207
Website	105,383
Leasehold improvements	300,270
Total cost	$ 855,860
Less: accumulated depreciation	(779,450)
Net Property and Equipment	$ 76,410
OTHER ASSETS	
Grants receivable, net of current portion and discount of $102,411	$ 1,397,231
Investments, non-current portion	2,201,246
Deposits	28,104
Total Other Assets	$ 3,626,581
TOTAL ASSETS	$ 8,405,728

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable and accrued expenses	$ 165,054
Accrued salaries and benefits	183,509
Deferred rent, current portion	29,129
Building allowance, current portion	16,323
Line of credit	900,000
Total Current Liabilities	$ 1,294,015
LONG-TERM LIABILITIES	
Deferred rent, net of current portion	$ 131,369
Deposits	2,012
Building allowance, net of current portion	44,890
Total Long-Term Liabilities	$ 178,271
TOTAL LIABILITIES	$ 1,472,286
NET ASSETS	
Unrestricted	$ (2,056,779)
Temporarily restricted	7,925,779
Permanently restricted	1,064,442
Total Net Assets	$ 6,933,442
TOTAL LIABILITIES AND NET ASSETS	$ 8,405,728

See independent auditors' report and notes to financial statements.

THE CENTER FOR PUBLIC INTEGRITY

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE AND SUPPORT				
Grants and contributions	$ 688,451	$ 8,074,164	$ -	$ 8,762,615
Consulting fees and royalties	16,200	-	-	16,200
Other revenue	81,092	-	-	81,092
Net assets released from restriction due to satisfaction of program or time restrictions	8,960,358	(8,960,358)	-	-
Total Revenue and Support	$ 9,746,101	$ (886,194)	$ -	$ 8,859,907
Investment activity:				
Interest and dividend income	$ 100,215	$ -	$ 93,636	$ 193,851
Realized gain on investments	216	-	-	216
Unrealized loss on investments	(150,740)	-	(141,136)	(291,876)
Total Investment Activity	$ (50,309)	$ -	$ (47,500)	$ (97,809)
Total Revenue, Support and and Investment Activity	$ 9,695,792	$ (886,194)	$ (47,500)	$ 8,762,098
EXPENSES				
Program services				
Environmental	$ 1,162,285	$ -	$ -	$ 1,162,285
International Consortium of Investigative Journalists (ICIJ)	2,748,865	-	-	2,748,865
Financial reform	2,204,910	-	-	2,204,910
National Security	810,077	-	-	810,077
Editorial management	231,105	-	-	231,105
Health care	355,040	-	-	355,040
State integrity	903,148	-	-	903,148
Total Program Services	$ 8,415,430	$ -	$ -	$ 8,415,430
Support services				
Management and general	$ 235,815	$ -	$ -	$ 235,815
Fundraising and development	964,029	-	-	964,029
Total Support Services	$ 1,199,844	$ -	$ -	$ 1,199,844
Total Expenses	$ 9,615,274	$ -	$ -	$ 9,615,274
CHANGES IN NET ASSETS	$ 80,518	$ (886,194)	$ (47,500)	$ (853,176)
NET ASSETS, BEGINNING OF YEAR	(2,137,297)	8,811,973	1,111,942	7,786,618
NET ASSETS, END OF YEAR	$ (2,056,779)	$ 7,925,779	$ 1,064,442	$ 6,933,442

See accompanying auditors' report and notes to financial statements.

THE CENTER FOR PUBLIC INTEGRITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Reconciliation of change in net assets to net cash used by operating activities		
Change in net assets	$	(853,176)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation expense	$	38,657
Provision for bad debt		562,131
Unrealized loss on investments		291,876
Realized gain on investments		(216)
Change in assets and liabilities		
(Increase) Decrease in Assets:		
Accounts receivable		(19,629)
Pledges receivable		(188,616)
Grants receivable		(879,054)
Prepaid expenses		65,150
Increase (Decrease) in Liabilities:		
Accounts payable and accrued expenses		(65,745)
Accrued salaries and benefits		(41,518)
Deferred rent		(167,921)
Building allowance		(16,323)
Total Adjustments	$	(421,208)
Net Cash Used by Operating Activities	$	(1,274,384)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	$	(182,382)
Decrease in deposits		13,620
Net Cash Used by Investing Activities	$	(168,762)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	$	900,000
Net Cash Provided by Financing Activities	$	900,000
NET DECREASE IN CASH	$	(543,146)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		1,356,265
CASH AND CASH EQUIVALENTS, END OF YEAR	$	813,119
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest expense paid during 2015	$	17,513

There were no non-cash investing or financing activities during the year ended December 31, 2015.

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 requirements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Financial Statements of Not-for-Profit Organizations*. 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 requirements of 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 statement 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.

Contributions and grants 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)

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 for doubtful accounts is necessary for the year ended December 31, 2015.

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 year ended December 31, 2015.

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 level of effort study 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 2015. Accordingly, no provision for income tax is made in the accompanying financial statements.

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 is currently not under audit by any tax jurisdiction.

Note 3. Accounts, Pledges and Grants Receivable

Pledges and grants receivable are recognized when the donor makes a promise to give to the Center, that is, in substance, unconditional. Unconditional pledges and grants receivable due in the next year are reflected as current assets and are recorded at their net realizable value. Pledges and 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. Accounts receivable are recorded when the underlying transaction occurs and are recorded at net realizable value.

Note 3. Accounts, Pledges and Grants Receivable (Concluded)

Pledges and grants receivable at December 31, 2015 are as follows:

Receivable in less than one year	$ 3,804,081
Receivable in two to five years	1,499,642
Total Pledges and Grants Receivable	5,303,723
Less discounts to net present value	102,411
Net Pledges and Grants Receivable	$ 5,201,312

The receivables have been discounted using a discount rate of 3.5% as of December 31, 2015. The net discount recorded as of December 31, 2015, was $102,411, and is reflected in the financial statements as a reduction of the long term grants receivable.

Management reviewed the collectability of the contributions, accounts, pledges and grants receivable as of December 31, 2015. Approximately $540,000 was recorded as bad debt expense as those amounts are no longer deemed collectible. Management believes that all remaining contributions, accounts, pledges and grants receivable are collectible. Accordingly, no provision for uncollectible accounts is included in the accompanying financial statements.

Note 4. Investments

In accordance with FASB ASC 820, "Fair Value Measurements", 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 statements 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 statements 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, 2015:

Blended mutual fund	$	2,201,246
Bond funds		9,430
Total	$	2,210,676

A portion of the investment portfolio is permanently restricted (Note 6).

Note 5. Temporarily Restricted Net Assets

Temporarily restricted net assets were available for use for the following purposes or periods at December 31, 2015:

International Consortium of Investigative Journalism (ICIJ)	$	808,912
The Ujima Project		171
Digital Transformation		22,309
Editorial Collaboration		3,051
Nuclear Policy		391,537
Nuclear Security		207,000
Toxic Chemicals		73,235
Juvenile Justice		193,170
No Way Up		342,725
National Security		425,371
Gulf Coast		10,422
Health Care		2,623
Environmental General		75,000
Consider the Source – State		1,620,426
Consider the Source – Federal		997,533
Diversity Challenge		258,830
Time Restricted		2,293,464
Worker's Rights		200,000
Total	$	7,925,779

Note 5. Temporarily Restricted Net Assets (Concluded)

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, 2015:

International Consortium of Investigative Journalism (ICIJ)	$ 2,830,680
State Integrity Project	804,765
Digital Transformation	4,247
Toxic Chemicals	107,711
Juvenile Justice	282,585
Nuclear Security	293,000
Nuclear Policy	101,663
National Security	341,507
Health Care	82,377
Environmental General	691,211
Workers Rights	100,000
Consider the Source – State	859,080
Consider the Source – Federal	1,010,175
Financial Reform	397,275
Time Restricted	825,000
ACLS Fellowship	99,550
Diversity Challenge	129,532
	$ 8,960,358

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 years prior to 2011 to the endowment fund. In 2012, the donor allowed a one-time transfer of funds to unrestricted net assets totaling $250,000. For years subsequent to 2011, the Center is planning to distribute 4% to 5% of the earnings 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.

Note 6. Permanently Restricted Net Assets (Concluded)

The composition of endowment net assets for this fund and the changes in endowment net assets as of December 31, 2015 are as follows:

	Permanently Restricted
Endowment net assets, December 31, 2014	$ 1,111,942
Transfer to unrestricted funds	-
Investment return, net	(47,500)
Contributions	-
Endowment net assets, December 31, 2015	$ 1,064,442

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 year ended December 31, 2015, the Center contributed $158,655 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 statement 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 was set to expire on December 31, 2013. During October 2013, the lease for additional space on the second floor was extended through December 31, 2016 but the lease for additional space on the third floor was not renewed. Rent was abated for the first three months of the extension.

Note 8. Lease Commitments (Concluded)

During August 2012, the Center entered into an agreement to sublease a portion of its office space. The lease was for an initial period of seventeen months. The sublease was renewed during December 2013. The lease called for yearly payments of $26,400 and expired on December 31, 2015. The lease is currently on a month to month basis at a rent of $2,200 per month through 2016 and $900 per month thereafter. An additional month to month lease was signed during 2015 with rent at $450 per month.

In April 2012, the Center entered into a sixty month lease for a copier machine. The lease calls for monthly payments of $552.

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

	Lease Payments	Sublease Income	Net
2016	$ 526,298	$ 31,800	$ 494,428
2017	413,737	-	413,737
2018	422,363	-	422,363
2019	322,663	-	322,663
2020	-	-	-
Total	$ 1,685,061	$ 31,800	$ 1,653,261

Rent expense for the year ended December 31, 2015 was $360,104 after application of the rent abatement.

Note 9. Line of Credit

In 2013, the Center had a $1,000,000 line of credit with Wells Fargo Bank, N.A. (the Bank). The interest rate on the outstanding balance was the Bank's Prime rate plus 1.00%. The line of credit was subject to an interest rate floor of five percent and expired on July 2, 2014. The line of credit was due and payable on demand. In June 2014, the Center renewed and modified this line of credit. The available balance was increased to $1,500,000 and interest accrued on the outstanding balance at the Bank's Prime rate plus 0.50%. The line of credit expired on August 31, 2016. A subsequent modification agreement was entered into in January 2017, see note 13. The agreements are 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 and contain other restrictive covenants including an unrestricted liquidity requirement. At December 31, 2015, the outstanding balance was $900,000.

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.

The Center was a defendant in two lawsuits for alleged libel. During 2016 one case was dismissed and the litigation ended. Additionally in 2016 the second case was settled and The Center is no longer involved in the litigation. As the outcome of the cases has been determined no liability has been accrued in the financial statements.

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
Five donors contributed 65% of the Center's revenue in 2015. As of December 31, 2015, there was $1,797,243 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. 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. Subsequent Events

The Center has evaluated events through March 14, 2017 the date the financial statements were available to be issued, and determined that there were no events occurring subsequent to December 31, 2015, that would have a material impact on the Center's results of operations or financial position as of December 31, 2015. However, the following events do have a material impact on the Center's operations and financial position subsequent to December 31, 2015.

Separation of ICIJ

In January, 2017, Worldwide Investigative Reporting Enterprise (WIRE), a New York not-for-profit corporation of an international network of investigative reporters entered into an agreement with the Center. Until this date, WIRE was a project of the Center titled the International Consortium of Investigative Journalists (ICIJ). ICIJ separated from the Center to become a separate legal entity, WIRE. The Center and WIRE entered into two agreements to effectuate the transition of ICIJ from the Center. The first agreement, Separation of ICIJ, includes provisions whereby ICIJ would reimburse the Center for ICIJ incurred operating expenses including salaries and related costs of staff working for ICIJ, rent and other miscellaneous costs. The term of this agreement was from the separation date through February 28, 2017. The estimated amount reimbursed to the Center by ICIJ under the terms of this agreement was $151,300.

The second agreement, the Separation Agreement entered into February 24, 2017, includes provisions for the following: the Center assigned the ICIJ Platforms, Trademarks, domain name, data stored on subscription accounts corresponding indexes listed on ICIJ social medial for no consideration. No liabilities were assigned and there were no unexpended grants for the year ended December 31, 2016.

Modification of line of credit agreement

In January 2017 the Center entered into a line of credit modification agreement. At the time of the modification the outstanding balance on the line of credit was $1,500,000. The modification required a payment of $300,000 in January 2017 which amount was paid. The modification extended the maturity to March 31, 2017. On or around March 31, 2017, subject to the completion of the initial extension and the Center's compliance with its terms and conditions, an additional payment of $100,000 and other restrictive covenants including an unrestricted liquidity requirement, the Bank may convert the debt to a term loan with a maturity date of September 30, 2018.

Note 13. Subsequent Events (concluded)

Continuing operations

The Center experienced a significant loss for the year ended December 31, 2016. This loss compounded with other changes at the organization in 2016 including turn-over in management resulted in the above two items (separation of ICIJ and the modification of the line of credit agreement). To ensure the Center's success going forward the Center has taken the following steps:

- In November 2016 appointed a 12 year Center veteran and former Deputy Executive Director to the CEO position.
- Set forth a cost savings plan to bring expenses in line with projected revenue.
- In the fall of 2016 brought in an accounting firm that specializes in nonprofit accounting and management to implement best practices for financial management and HR Outsourcing.
- Instituted measures to reduce on-going costs on both a short and long term basis.
- Secured a number of new grants from both returning and new grantors.
- Restructured debt as noted above.
- Eliminated and consolidated space rentals resulting in decreased costs going forward.
- Prepared a break even budget for 2017.

The Center continues to work to increase funding through general support grants, increased indirect cost recovery, and a coordinated major giving program led by the Center's Chief Development Officer. By taking the steps noted above, the members of the Board of Directors and management are committed to ensuring that the Center puts out top-notch, high-impact journalism for many years.