



Financial Statements

With Independent Auditors' Report

For the Year Ended

December 31, 2018

CalMatters

(A California Nonprofit Corporation)
December 31, 2018

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INDEPENDENT AUDITORS' REPORT

The Board of Directors CalMatters

We have audited the accompanying financial statements of CalMatters (a nonprofit organization) which comprise the statement of financial position as of December 31, 2018 and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CalMatters as of December 31, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Regalia & Associates

September 16, 2019
Danville, California

Statement of Financial Position

December 31, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,009,017
Accounts, grants and pledges receivable	1,507,353
Prepaid expenses and other current assets	126,047
Deposits	30,200
Total current assets	2,672,617

Noncurrent assets:

Noncurrent grants and pledges receivable, net	1,037,512
Total noncurrent assets	1,037,512

Total assets	\$ 3,710,129
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 65,466
Accrued payroll liabilities	116,233
Deferred revenue	48,593
Total current liabilities	230,292

Noncurrent liabilities:

Accrued pension liability	35,023
Total noncurrent liabilities	35,023

Total liabilities	265,315
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Net assets:

Without donor restrictions	509,716
With donor restrictions	2,935,098
Total net assets	3,444,814
	\$ 3,710,129

**Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2018**

<i>Changes in net assets:</i>	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenue and support:			
Earned Revenue:			
Fees for service	\$ 83,624	\$ -	\$ 83,624
Total earned revenue	83,624	-	83,624
Contributed support:			
Contributions	743,493	2,729,667	3,473,160
Investment income	2,116	-	2,116
Realized loss on investments	(181)	-	(181)
Unrealized loss on investments	(93)	-	(93)
Other revenue	6,807	-	6,807
Net assets released from restrictions	676,382	(676,382)	-
Change in discount - multi-year receivables	-	(50,821)	(50,821)
Total contributed support	1,428,524	2,002,464	3,430,988
Total revenue and support	1,512,148	2,002,464	3,514,612
Expenses:			
Programs	2,147,791	-	2,147,791
General and administrative	332,624	-	332,624
Fundraising	437,671	-	437,671
Total expenses	2,918,086	-	2,918,086
Increase (decrease) in net assets	(1,405,938)	2,002,464	596,526
Net assets before prior period adjustment	(137,631)	932,634	795,003
Change in accounting principle	2,053,285	-	2,053,285
Net assets at beginning of year (as adjusted)	1,915,654	932,634	2,848,288
Net assets at end of year	\$ 509,716	\$ 2,935,098	\$ 3,444,814

**Statement of Cash Flows
For the Year Ended December 31, 2018**

Operating activities:

Increase in net assets before prior period adjustment	\$ 596,526
Adjustments to reconcile to cash used for operating activities:	
Change in discount on multi year grants and pledges	50,821
Changes in:	
Accounts, grants, and pledges receivable	(1,915,686)
Prepaid expenses and other current assets	(120,162)
Deposits	(20,200)
Accounts payable	33,459
Accrued payroll liabilities	30,329
Deferred revenue	48,593
Cash used for operating activities	<u>(1,296,320)</u>

Financing activities:

Adjustments related to accrued pension liability	<u>17,022</u>
Cash provided by financing activities	<u>17,022</u>

Net decrease in cash and cash equivalents	
before change in accounting principle	(1,279,298)
Prior period adjustment: change in accounting principle	2,053,285
Cash and cash equivalents at beginning of year	<u>235,030</u>
Cash and cash equivalents at end of year	<u>\$ 1,009,017</u>

Additional cash flow information:

Interest paid	<u>\$ -</u>
State registration and information taxes paid	<u>\$ 150</u>

**Statement of Functional Expenses
For the Year Ended December 31, 2018**

	Programs	Management and General	Fund- raising	Total
Bank charges	\$ -	\$ 2,661	\$ -	\$ 2,661
Fundraising and marketing	-	10,418	116,595	127,013
Insurance	12,607	6,086	1,609	20,302
Management	-	9,689	-	9,689
Office expenses	24,998	65,613	3,013	93,624
Personnel and benefits	1,672,988	156,733	304,594	2,134,315
Professional services	-	52,415	-	52,415
Rent	64,287	6,103	11,860	82,250
Reporting and production	359,272	-	-	359,272
Technology	13,639	22,906	-	36,545
Total Expenses	\$ 2,147,791	\$ 332,624	\$ 437,671	\$ 2,918,086

Notes to Financial Statements
December 31, 2018

1. Organization

CalMatters is a nonprofit nonpartisan public interest journalism venture focused on California state politics and policy based in Sacramento, California.

The organization launched in July 2015. Its stories have been published in more than 90 newspapers statewide and broadcast on radio in Los Angeles, the Bay Area, Sacramento, and elsewhere. The organization has more than 130 media partners. It is the largest media organization covering California state government and policy issues as measured by staff size or audience reach (broadcast, print, online).

CalMatters endeavors to:

- Increase public awareness about state policy issues
- Create more transparency of the policymaking process
- Shine new scrutiny on the campaign trail
- Experiment with new distribution, revenue, and media collaboration models

2. Summary of Significant Accounting Policies

Basis of presentation – The financial statements of CalMatters have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("US GAAP").

Measure of operations – The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to CalMatters' ongoing operations which include a variety of programmatic activities. Nonoperating activities are limited to resources that generate return from interest-bearing deposits and other activities considered to be of a more unusual or nonrecurring nature.

Cash and cash equivalents – CalMatters' cash consists of cash on deposit with banks. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Concentrations of credit risk – Financial instruments that potentially subject CalMatters to concentrations of credit risk consist principally of cash and cash equivalents and deposits. CalMatters maintains its cash and cash equivalents in various bank accounts that, at times, may exceed federally insured limits. CalMatters manages deposit concentration risk by placing cash and money market accounts with financial institutions believed to be creditworthy.

To date, CalMatters has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and grants receivable considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from reputable organizations and foundations supportive of CalMatters' mission.

Notes to Financial Statements

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

Receivables and Credit Policies - CalMatters determined that no allowance for doubtful uncollectible accounts receivable is needed based on historical experience, an assessment of economic conditions, and a review of subsequent collections. It is the policy of the organization to periodically assess receivables to determine proper carrying value.

Accounts, Grants, and Pledges Receivable - CalMatters records accounts, grants, and pledges receivable that are expected to be collected within one year at net realizable value. When material, grants and pledges receivable expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset.

In subsequent years, amortization of the discounts (when applicable) will be included in contribution revenue in the statement of activities. The allowance for uncollectible receivables is based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Receivables are written off when deemed uncollectible.

Property and Equipment - CalMatters' policy is to record acquisitions of property and equipment at cost or, if donated, at fair market value on the date of donation. Depreciation expense is calculated using the straight-line method over the estimated useful lives of the assets.

Costs of maintenance and repairs are expensed currently. CalMatters reviews the carrying values of all assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated economic utility and/or future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. CalMatters has determined that no long-lived assets were impaired during the year ended December 31, 2018.

Fair value measurements - Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. US GAAP establishes a fair value hierarchy that prioritizes investments based on those assumptions.

The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs). CalMatters groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1

Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

(continued)

Notes to Financial Statements

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

Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3

Unobservable inputs that cannot be corroborated by observable market data.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing model of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset or liability.

Net Assets - Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Thus, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has the ability to designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment, but it has opted not to do so as of December 31, 2018.

Net Assets With Donor Restrictions

Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions can be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

(continued)

Notes to Financial Statements

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

Revenue and Revenue Recognition - Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. When applicable, revenue earned under a contractual arrangement (an "exchange transaction") is recognized when earned and therefore measured as services are provided.

Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively.

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized.

Donated Services and In-Kind Contributions - Contributed services and costs are reflected at the fair value of the contribution received. The contributions of services and costs are recognized if they (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Such amounts, which are based upon information provided by third-party service providers, are recorded at their estimated fair value determined on the date of contribution and are reported as contributions in-kind and supporting services on the accompanying statement of activities and statements of functional expenses. During the year ended December 31, 2018, CalMatters did not receive any in-kind contributions.

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles.

Functional Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among services and supporting services benefited. Such allocations are determined by management on an equitable basis. A majority of expenses (such as salaries and wages, rent and utilities, insurance, and other overhead) have been allocated based on time and effort using CalMatters' payroll allocations. Other expenses (such as professional services and other direct costs) have been allocated in accordance with the specific services received from vendors.

Reclassifications - Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

(continued)

Notes to Financial Statements

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

Recent and Relevant Accounting Pronouncements – The following pronouncements became effective for fiscal years beginning subsequent to December 15, 2017:

In August 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. CalMatters has adjusted the presentation of these statements accordingly.

In August 2014, the FASB issued *ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 205-40) Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which requires an organization's management to evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about an entity's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). As of September 16, 2019 (the date of the Independent Auditors' Report), CalMatters management has made this evaluation and has determined that CalMatters has the ability to continue as a going concern.

In June 2018, the FASB issued *ASU 2018-08, Not-for-Profit Entities (Topic 958) – Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The FASB issued this update to clarify and improve the scope and the accounting guidance for contributions received and contributions made.

The amendments in this Update should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. Accordingly, CalMatters has incorporated these clarifying standards within the audited financial statements.

3. Cash and Cash Equivalents

Unrestricted Cash: Cash and cash equivalents of \$1,009,017 at December 31, 2018 consists of interest-bearing accounts totaling \$617,335 and noninterest-bearing deposits of \$391,682 in local financial institutions. The balances reflect funds on deposit in various checking accounts that have a maturity date of 90 days or less. At December 31, 2018, certain deposits exceeded the federally insured limit of \$250,000. CalMatters attempts to limit its credit risk associated with cash balances by utilizing financial institutions that are well capitalized and highly rated. Savings and money market accounts bear interest at the variable rates that range from 0.45% to 2.02% per annum at December 31, 2018.

Restricted Cash: CalMatters established a 457(b) Eligible Deferred Compensation Plan to attract and retain personnel by providing deferred compensation. Currently, only one employee is covered under the Plan as of December 31, 2018. CalMatters contributed \$17,067 to the 457(b) Plan during the year ended December 31, 2018. This money market account bears interest at 0.45% at December 31, 2018.

Notes to Financial Statements

4. Accounts, Grants, and Pledges Receivable and Related Party Transactions

Accounts, grants, and pledges receivables are estimated to be collected as follows at December 31, 2018:

	2018
Year ending December 31, 2019	\$ 1,507,353
Year ending December 31, 2020	923,333
Year ending December 31, 2021	165,000
Total	2,595,686
Less: amounts due in current year	(1,507,353)
Less: discount applied to multi-year receivables	(50,821)
Total accounts, grants, and pledges receivable - noncurrent	\$ 1,037,512

Accounts, grants, and pledges receivable due in more than one year are reflected at the present value of estimated future estimated cash flows using a discount rate of 4.25% per annum. The discount related to the present value calculation will be accreted back into income over the estimated collection period of the promises to give. The change in discount for multi-year receivables amounted to (\$50,821) for the year ended December 31, 2018 and is reflected as a change impacting net assets with donor restrictions.

CalMatters determines the allowance for uncollectable accounts, grants, and pledges receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts, grants, and pledges receivable are written off when deemed uncollectable. There was no allowance for doubtful accounts at December 31, 2018. There was no bad debt expense for the year ended December 31, 2018.

At December 31, 2018, five donors accounted for 75% total accounts, grants, and pledges receivable. Related party receivables amounted to 27% of total accounts, grants, and pledges receivable at December 31, 2018. Related party donations comprised 16% of total revenue and support for the year ended December 31, 2018.

5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets of \$126,047 at December 31, 2018 primarily consist of prepaid rent and other items which will be used by CalMatters in the subsequent year.

6. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2018 is as follows:

	Total	Level 1	Level 2	Level 3
Accounts, grants, and pledges receivable, net	\$ 2,595,685	\$ -	\$ 1,507,353	\$ 1,037,512
Security deposits	30,200	-	-	30,200
Totals	\$ 2,625,885	\$ -	\$ 1,507,353	\$ 1,067,512

(continued)

Notes to Financial Statements

6. Fair Value Measurements

Fair value measurements establish a fair value hierarchy that prioritizes the input used to measure fair value. This hierarchy consists of three broad levels: (a) Level 1 measurement reflects the value of the investments at quoted prices in active markets for identical assets, generally without any adjustments, (b) Level 2 assets and liabilities are valued based on "observable inputs" other than quoted active market prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, and interest rates and yield curves, and (c) Level 3 assets and liabilities are valued based on "unobservable inputs," such as a company's own estimates and pricing models.

Assets Classified as Level 3

The net present value of the long-term portion of accounts, grants, and pledges receivable has been reflected as Level 3. The significant unobservable input used in the estimated fair value measurement of CalMatters' security deposit is the cost basis. Deposit assets are reflected at book value and are not stated at net realizable value or at the estimated present value of such future cash flow streams.

7. Liquidity

CalMatters regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the safeguarding of its available funds. CalMatters has various sources of liquidity at its disposal, including cash and cash equivalents and other sources (including the future collection of receivables).

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CalMatters considers all expenditures related to its mission, as well as the conduct of services undertaken, to support those activities to be general expenditures.

In addition to financial assets available to meet general expenditures over the next 12 months, CalMatters anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

The following table shows the total financial assets held by CalMatters and the amounts of those financial assets readily available within one year of the balance sheet date to meet general expenditures:

Cash and cash equivalents	\$ 1,009,017
Accounts, grants, and pledges receivable	1,507,353
Subtotal	2,516,370
Less: amounts not available to be used within one year:	
Net assets with donor restrictions for programs	(1,174,709)
Financial assets available to meet general expenditures over the next twelve months	\$ 1,341,661

(continued)

Notes to Financial Statements

7. Liquidity *(continued)*

CalMatters receives a substantial amount of support by way of restricted contributions. Because donor restrictions require resources to be used in a particular manner or in a future period, CalMatters must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

As part of CalMatters' liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

8. Compensated Absences (Accrued Payroll and Related Benefits)

Financial statement presentation follows the recommendations of ASC 710.25, *Compensated Absences*. Under ASC 710.25, CalMatters is required to record a liability for the estimated amounts of compensation for future absences. Employees are permitted to accrue a specific number of hours of vacation which is payable upon termination of the employee. Sick leave is not paid upon termination. Annual leave accruals are recorded in the financial statements as an accrued liability on the statements of financial position based on hourly rates in effect at the end of the year. Accrued vacation liabilities amounted to \$109,933 at December 31, 2018.

9. Deferred Revenue

Total deferred revenue of \$48,593 at December 31, 2018 consists of fees for service received in advance of work performed in a future year.

10. Leases

Effective August 25, 2017, CalMatters became obligated under a month-to-month lease agreement for its administrative offices. Payment under the lease were subject to monthly modifications and increased from \$5,500 per month at the beginning of the year to \$7,200 per month by the end of the year. A refundable \$1,000 security deposit was held by the landlord. CalMatters vacated this office space on January 15, 2019. Rent expense for the year ended December 31, 2018 amounted to \$82,250.

Subsequent event: On January 15, 2019, CalMatters entered into a one year lease agreement for corporate office space in Sacramento, California. CalMatters prepaid the annual rent of \$121,200 and a security deposit of \$20,200 prior to December 31, 2018.

11. Employee Benefit Plans

CalMatters has a defined contribution pension plan (the Plan) covering all employees. CalMatters does not contribute to the plan or match amounts contributed by participants to the Plan.

(continued)

Notes to Financial Statements

11. Employee Benefit Plans *(continued)*

CalMatters established a 457(b) Eligible Deferred Compensation Plan to attract and retain personnel by providing deferred compensation. Currently, only one employee is covered under the Plan as of December 31, 2018. CalMatters contributed \$17,023 to the 457(b) Plan during the year ended December 31, 2018.

12. Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions of \$509,716 at December 31, 2018 represents the cumulative retained surpluses since the organization's inception.

Net Assets With Donor Restrictions

Net assets with donor restrictions amounted to \$2,935,098 at December 31, 2018. CalMatters recognizes support from net assets with donor restrictions when the restrictions imposed by the donors have been satisfied or expired. During the year ended December 31, 2018, contributions of net assets with donor restrictions amounted to \$2,729,667. Net assets with donor restrictions released from restrictions amounted to \$676,382 during the year ended December 31, 2018. Change in discount related to multi-year pledges amounted to (\$50,821) and is shown as an adjustment to net assets with donor restrictions.

13. Commitments and Contingencies

In the normal course of business there are outstanding various commitments and contingent liabilities, such as commitments to enter into and/or renew contracts related to ongoing operational activities, which are not reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) Contractual restrictions and related conditions which obligate CalMatters to fulfill certain requirements as set forth in legal instruments, (b) Cash flow levels which vary based on factors beyond CalMatters' control, such as general economic conditions, (c) Service agreements with outside contractors, and (d) Financial risks associated with funds on deposit in accounts at financial institutions. Management believes that such commitments or contingencies have been properly addressed, appropriate amounts have been accrued (where necessary), and there will not be any resolution with a material adverse effect on the financial statements.

14. Line of Credit

On August 8, 2017, CalMatters obtained a \$100,000 line of credit pursuant to an agreement with Beneficial State Bank. Interest is payable monthly on outstanding balances at an annual interest rate of 1.5% over the U.S. Prime Interest Rate as reported in the Wall Street Journal. The Wall Street Journal prime interest rate was 5.5% at December 31, 2018. No funds were borrowed on the line of credit during the year ended December 31, 2018. On August 10, 2018, CalMatters increased its line of credit to \$150,000 and extended the term through July 17, 2019.

Notes to Financial Statements

15. Prior Period Adjustment: Restatement of Balances

During the year ended December 31, 2018, CalMatters changed its method of accounting from the modified cash basis (a basis of accounting other than US GAAP) to the accrual basis. The new method of accounting was adopted to comply with the California Nonprofit Integrity Act of 2004 which requires the preparation of financial statements in accordance with US GAAP. Accordingly, in compliance with *FASB ASC 250 - Accounting Changes and Error Corrections* (previously FASB Statement No. 154), CalMatters converted all of its accounts to comply with the accrual basis method of accounting. This resulted in a cumulative correction totaling \$2,053,285 which has been reflected as an adjustment to the beginning net assets (principally net assets with donor restrictions) on the statement of activities and changes in net assets.

16. Subsequent Events

In compliance with *ASC 855 - Subsequent Events*, CalMatters has evaluated subsequent events through September 16, 2019, the date the financial statements were available to be issued.

On January 15, 2019, CalMatters entered into a one year lease agreement for corporate office space in Sacramento, California. CalMatters prepaid the annual rent of \$121,200 and a security deposit of \$20,200 prior to December 31, 2018.

In the opinion of management, there are no other subsequent events which are required to be disclosed.