CAL MATTERS

Financial Statements

For the Years Ended
December 31, 2021 and 2020

With Independent Auditors' Report Thereon

Contents

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
CalMatters

Opinion

We have audited the accompanying financial statements of CalMatters (a California nonprofit organization), which comprise the statement of financial position as December 31, 2021, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CalMatters' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about CalMatters' ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

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

Regalia & Associates

Danville, California
October 20, 2022

Statements of Financial Position

December 31, 2021 and 2020

ASSETS

		2021		2020
Current assets:				
Cash and cash equivalents	$	819,536	$	1,437,256
Investments		2,290,356		2,251,059
Accounts, grants and pledges receivable		1,370,813		781,819
Prepaid expenses and other current assets		59,380		-
Deposits		19,947		49,147
Total current assets		4,560,032		4,519,281
Noncurrent assets:				
Account, grants and pledges receivable, net		578,641		72,816
Right of use asset - premises		757,450		943,203
Property and equipment, net		24,386		25,173
Total noncurrent assets		1,360,477		1,041,192
Total assets	$	5,920,509	$	5,560,473

LIABILITIES AND NET ASSETS

		2021		2020
Current liabilities:				
Accounts payable and accrued liabilities	$	13,636	$	112,413
Accrued payroll liabilities		223,429		199,220
Lease payable - current portion		218,245		198,841
Refundable advances		-		535,141
Total current liabilities		455,310		1,045,615
Noncurrent liabilities:				
Lease payable - noncurrent portion		652,809		871,054
Accrued pension liability		304,172		152,854
Total noncurrent liabilities		956,981		1,023,908
Total liabilities		1,412,291		2,069,523
Net assets:				
Without donor restrictions		506,899		492,900
With donor restrictions		4,001,319		2,998,050
Total net assets		4,508,218		3,490,950
	$	5,920,509	$	5,560,473

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Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2021
(with Summarized Financial Information for the Year Ended December 31, 2020)

	Net Assets			
Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
Contributed support:				
Contributions	$ 4,723,242	$ 4,660,381	**$ 9,383,623**	$ 5,514,922
Investment income	10,125	-	**10,125**	21,215
Realized losses on investments	(5,134)	-	**(5,134)**	(34,892)
Unrealized gains (losses) on investments	4,131	-	**4,131**	(2,744)
Other revenue	-	-	**-**	7,702
Net assets released from restrictions	3,641,937	(3,641,937)	**-**	-
Change in discount - multi-year receivables	-	(15,175)	**(15,175)**	40,824
Total contributed support	8,374,301	1,003,269	**9,377,570**	5,547,027
Total revenue and support	8,374,301	1,003,269	**9,377,570**	5,547,027
Expenses:				
Programs	6,957,720	-	**6,957,720**	5,427,225
General and administrative	381,147	-	**381,147**	534,430
Fundraising	1,021,435	-	**1,021,435**	782,014
Total expenses	8,360,302	-	**8,360,302**	6,743,669
Increase (decrease) in net assets	13,999	1,003,269	**1,017,268**	(1,196,642)
Net assets at beginning of year	492,900	2,998,050	**3,490,950**	4,687,592
Net assets at end of year	$ 506,899	$ 4,001,319	**$ 4,508,218**	$ 3,490,950

Statements of Cash Flows

For the Years Ended December 31, 2021 and 2020

	2021	2020
Operating activities:		
Increase (decrease) in net assets	**$ 1,017,268**	$ (1,196,642)
Adjustments to reconcile to cash used for operating activities:		
Change in discount on multi year grants and pledges	**15,175**	(40,824)
Amortization and depreciation	**11,038**	7,621
Accounts, grants, and pledges receivable	**(1,109,994)**	1,926,623
Prepaid expenses and other current assets	**(59,380)**	36,737
Deposits	**29,200**	(19,947)
Right of use asset - premises	**185,753**	(943,203)
Accounts payable and accrued liabilities	**(98,777)**	80,326
Accrued payroll liabilities	**24,209**	64,550
Unearned revenue	**-**	(186,356)
Refundable advances	**(535,141)**	535,141
Cash provided by (used for) operating activities	**(520,649)**	264,026
Investing activities:		
Acquisition of property and equipment	**(10,251)**	(32,794)
Acquisition of investments	**(39,297)**	(1,185,906)
Cash used for investing activities	**(49,548)**	(1,218,700)
Financing activities:		
Adjustments related to accrued pension liability	**151,318**	92,432
Establishment of lease payable	**-**	1,069,895
Principal payments applied against lease payable	**(198,841)**	-
Cash provided by (used for) financing activities	**(47,523)**	1,162,327
Net increase (decrease) in cash and cash equivalents	**(617,720)**	207,653
Cash and cash equivalents at beginning of year	**1,437,256**	1,229,603
Cash and cash equivalents at end of year	**$ 819,536**	$ 1,437,256
Additional cash flow information:		
Interest paid	**$ -**	$ -
State registration taxes paid	**$ 175**	$ 175

Statement of Functional Expenses
For the Year Ended December 31, 2021
(with Summarized Financial Information for the Year Ended December 31, 2020)

	Programs	Management and General	Fund-raising	2021 Total	2020 Total
Amortization and depreciation	$ 9,125	$ 418	$ 1,495	**$ 11,038**	$ 7,621
Bad debt expense	-	5,000	-	**5,000**	-
Bank charges and processing fees	-	1,454	-	**1,454**	1,242
Fundraising and marketing	7,934	-	68,365	**76,299**	137,124
Insurance	45,901	2,101	7,523	**55,525**	46,595
Management	-	272	-	**272**	48,746
Office expenses	37,393	1,711	6,128	**45,232**	343,400
Personnel and benefits	5,400,840	247,169	885,162	**6,533,171**	4,971,261
Professional services	-	108,289	-	**108,289**	33,103
Rent	205,810	9,419	33,731	**248,960**	216,573
Reporting and production	1,134,598	-	-	**1,134,598**	830,864
Technology	116,119	5,314	19,031	**140,464**	107,140
Total Expenses	$ 6,957,720	$ 381,147	$ 1,021,435	**$ 8,360,302**	$ 6,743,669

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 140 newspapers statewide and broadcast on radio in Los Angeles, the Bay Area, Sacramento, and elsewhere. The organization has more than 180 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 statement 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 and cash equivalents consists of cash on deposit in checking and savings accounts. Cash equivalents represent money market funds or short-term investments with original maturities of three months or less from the date of purchase.

Reclassifications – Certain reclassifications have been made to the 2020 financial statements in order to conform to the presentation used in 2021.

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.

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 receivables that are expected to be collected within one year at net realizable value. When material, receivables 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) is 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.

Investments - CalMatters follows the provisions of *ASC 958.320, Investments – Debt and Equity Securities of Not-for-Profit Entities* and has estimated the fair value of its investments using available market information and other valuation methodologies. Accordingly, the estimates presented are not necessarily indicative of the amounts that CalMatters could realize in a current market exchange.

The use of different assumptions and/or estimation methods may have a material effect on the estimated fair value amounts. The estimates are based on pertinent information available to management as of December 31, 2021 and 2020. Economic conditions can vary significantly throughout the year, impacting the carrying value of investments. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, current estimates of fair value may differ significantly from the statements presented, especially in light of the impact on financial markets as a result of COVID-19.

Comparative Financial Information - The accompanying financial statements include certain prior-year summarized comparative information in total but not by functional category. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended December 31, 2020, from which the summarized information was derived.

Contributions of Nonfinancial Assets - Donated services and in-kind contributions are reflected at the fair value of the contributions received in accordance with *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The contributions of services, equipment, and other materials 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.

Use of 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.

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

Functional Allocation of Expenses - The costs of providing program and other activities have been summarized on a functional basis in the statements of activities in accordance with the requirements of *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities,* which requires CalMatters to report expenses by their natural classification. Every natural expense must be broken out into individual functional categories on an analysis of expenses by their nature and function. 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 (salaries, wages, and payroll taxes, professional services) have been allocated based on time and effort using CalMatters' payroll allocations. Other expenses (such as depreciation and amortization, insurance, occupancy, etc.) have been allocated based on other supportable direct and indirect allocation methods.

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.

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.

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

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

Net Assets without Donor Restrictions
Net assets without donor restrictions represent funds which are 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, and it has not opted to do so as of December 31, 2021 and 2020.

Net Assets with Donor Restrictions
Net assets with donor restrictions represent funds which are 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 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.

Revenue and Revenue Recognition – Revenue is recognized in accordance with authoritative guidance, including *ASU 2018-08, Not-for-Profit Entities (Topic 605)* and *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*.

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. A transfer of funds with a conditional promise to contribute are accounted for as a refundable advance until the conditions have been substantially met. Certain payments received include both elements of contributed income and earned income, and management evaluates such transactions to determine the proper revenue rules to apply and to bifurcate the revenue components. When applicable, revenue earned under a contractual arrangement (an “exchange transaction”) is recognized when earned and therefore measured as services are provided in accordance with *Topic 606*.

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.

Property, Equipment and Leasehold Improvements – 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. 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 years ended December 31, 2021 and 2020.

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

Income Taxes – CalMatters is organized as a California nonprofit corporation and has been recognized by the IRS as exempt from federal income taxes under IRC Section 501(a) as organizations described in IRC Section 501(c)(3), qualify for the charitable contribution deduction under IRC Sections 170(b)(1)(A)(vi) and (viii), and has been determined not to be private foundations under IRC Sections 509(a)(1) and (3), respectively. CalMatters is required to annually file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purpose. CalMatters may periodically receive unrelated business income requiring CalMatters to file an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Under such conditions, CalMatters calculates and accrues the applicable taxes.

CalMatters has received notification from the Internal Revenue Service and the State of California that it qualifies for tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code. The exemptions are subject to periodic review by the federal and state taxing authorities and management is confident that CalMatters continues to satisfy all federal and state statutes in order to qualify for continued tax exemption status.

Recent and Relevant Accounting Pronouncements – The following pronouncements represent relevant current accounting guidance applicable to nonprofit organizations:

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 November 2016, the FASB issued *ASU 2016-18, Restricted Cash*. This guidance requires entities to show the changes in the total of cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, entities will no longer present transfers between cash and cash equivalents and restricted cash and restricted cash equivalents in the statement of cash flows. When cash, cash equivalents, restricted cash and restricted cash equivalents are presented in more than one line item on the balance sheet, the new guidance requires a reconciliation of the totals in the statement of cash flows to the related captions in the statement of financial position.

In February 2016, the FASB issued *ASU 2016-02, Leases (Topic 842) Accounting for Leases*, which requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. Topic 842 was subsequently amended by *ASU No. 2018-01*, *ASU No. 2018-10*, and *ASU No. 2018-11*. This new pronouncement is effective for fiscal years beginning after December 15, 2021, but CalMatters has elected early implementation. This standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the statements of financial position for all leases with a term longer than 12 months. Leases are required to be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the statement of activities and changes in net assets.

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

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 October 20, 2022 (the date of the Independent Auditors' Report), 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 605) – 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.

In May 2014, the FASB completed its Revenue Recognition project by issuing *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. This guidance establishes the principles to report useful information to users of financial statements about the nature, timing, and uncertainty of revenue from contracts with customers. The guidance (1) removes inconsistencies and weaknesses in existing revenue requirements, (2) provides a more robust framework for addressing revenue issues, (3) improves comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets, (4) provides more useful information to users of financial statements through improved disclosure requirements, and (5) simplifies the preparation of financial statements by reducing the number of requirements to which an organization must refer.

3. Cash and Cash Equivalents

Cash and cash equivalents include all funds in banks (checking and savings accounts) at the time of purchase that have a maturity date of 90 days or less. The components of cash and cash equivalents are as follows at December 31:

	2021	**2020**
Checking accounts	**$ 819,536**	$ 503,407
Money market and savings accounts	**-**	933,849
Total cash and cash equivalents	**$ 819,536**	$ 1,437,256

Money market and savings accounts earn interest at a rate of 0.20% per annum at December 31, 2020.

4. Investments

Investments consist of the following at December 31:

		2021		2020
Money market deposits	**$**	**1,536,067**	$	1,110,305
Mutual funds principally in equities		**196,709**		152,854
Certificates of deposit		**557,580**		987,900
Total investments	**$**	**2,290,356**	$	2,251,059

Composition of investments is summarized as follows at December 31, 2021:

		Fair Value		Cost
Money market deposits	$	1,536,066	$	1,536,067
Mutual funds principally in equities		196,709		122,049
Certificates of deposit		557,580		550,000
Total investments	$	2,290,355	$	2,208,116

Composition of investment income is summarized as follows for the years ended December 31:

		2021		2020
Dividends	**$**	**98**	$	7,176
Interest		**10,027**		14,039
Net realized gains (losses)		**(5,134)**		(34,892)
Net unrealized losses		**4,131**		(2,744)
Total investment income (net)	**$**	**9,122**	$	(16,421)

During the years ended December 31, 2021 and 2020, earnings on investments were reinvested. Investments are recorded at cost when purchased. Investments received by gift are recorded at fair value upon notification that a donation has been made (generally at or near the date of contribution). Money market accounts include funds held in highly liquid investments with maturity dates of three months or less bearing interest at variable rates. At December 31, 2021 and 2020, certificates of deposit had maturity dates of twelve months or less.

Restricted Investments: CalMatters established a 457(b) Eligible Deferred Compensation Plan to attract and retain personnel by providing deferred compensation. At December 31, 2021, three people were covered under the Plan. At December 31, 2020, two people were covered under the Plan. The balance in the 457(b) Plan investment account amounted to $304,172 and $152,854 at December 31, 2021 and 2020, respectively, and these amounts are included with investments.

Finance Committee: CalMatters has a Finance Committee which has the responsibility for establishing the CalMatters' return objectives (generally lower rates of return associated with more stable and safer investments) and to define the risk parameters (generally low risk securities such as money market mutual funds and certificates of deposit). The Finance Committee routinely oversees investment performances and reviews cash flows necessary to sustain the CalMatters' operating activities.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate of return objectives, CalMatters relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends). CalMatters invests to achieve its long-term return objectives within prudent risk constraints.

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

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

	2021	2020
Year ending December 31, 2021	**$ -**	$ 781,819
Year ending December 31, 2022	**1,370,813**	75,000
Year ending December 31, 2023	**596,000**	-
Total	**1,966,813**	856,819
Less: amounts due in current year	**(1,370,813)**	(781,819)
Less: discount applied to multi-year receivables	**(17,359)**	(2,184)
Total accounts, grants, and pledges receivable – noncurrent	**$ 578,641**	$ 72,816

Accounts, grants, and pledges receivable due in more than one year are reflected at the present value of estimated future cash flows using a discount rate of 3.0%. 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 ($15,175) and $40,824 for the years ended December 31, 2021 and 2020, respectively, and is reflected as a change impacting net assets with donor restrictions on the statement of activities and changes in net assets.

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, 2021 and 2020. Bad debt expense amounted to $5,000 for the year ended December 31, 2021. There were no write-offs and thus no bad debt expense for the year ended December 31, 2020.

At December 31, 2021, six donors accounted for 85% of total accounts, grants, and pledges receivable. There were no related party receivables at December 31, 2021. At December 31, 2020, eight donors accounted for 86% of total accounts, grants, and pledges receivable. There were no related party receivables at December 31, 2020.

6. Property and Equipment

Property and equipment consist of the following at December 31:

	2021	2020
Leasehold improvements	**$ 22,794**	$ 22,794
Website development	**20,251**	10,000
Less: accumulated amortization and depreciation	**(18,659)**	(7,621)
Property and equipment, net	**$ 24,386**	$ 25,173

Amortization and depreciation expense amounted to $11,038 and $7,621 for the years ended December 31, 2021 and 2020, respectively.

7. Fair Value Measurements

Composition of assets utilizing fair value measurements at December 31, 2021 is as follows:

	Total	Level 1	Level 2	Level 3
Investments	$ 2,290,356	$ 1,732,776	$ 557,580	$ -
Accounts, grants, and pledges receivable (current)	1,370,813	-	1,370,813	-
Accounts, grants, and pledges receivable (noncurrent)	578,641	-	-	578,641
Totals	$ 4,239,810	$ 1,732,776	$ 1,928,393	$ 578,641

Composition of assets utilizing fair value measurements at December 31, 2020 is as follows:

	Total	Level 1	Level 2	Level 3
Investments	$ 2,251,059	$ 1,638,515	$ 612,544	$ -
Accounts, grants, and pledges receivable (current)	781,819	-	781,819	-
Accounts, grants, and pledges receivable (noncurrent)	943,203	-	-	943,203
Totals	$ 3,976,081	$ 1,638,515	$ 1,394,363	$ 943,203

Assets Classified as Level 3

The significant unobservable inputs used in the fair value measurement of Level 3 assets are based on calculations involving the net present value of the long-term portion of accounts, grants, and pledges receivable whereby anticipated future cash flow receipts are discounted to a net present value under an assumed rate of return (using a discount rate of 3.0% per annum as disclosed in Note 5 above).

8. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets of $59,380 at December 31, 2021 primarily consisted of prepaid rent, insurance, and freelance services which were used by CalMatters in the subsequent fiscal year. There were no prepaid expenses and other current assets at December 31, 2020.

9. 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, certificates of deposit, mutual funds, and the future collection of receivables.

(continued)

9. Liquidity *(continued)*

For purposes of analyzing resources available to meet general expenditures over a 12-month period, CalMatters considers all expenditures related to its ongoing activities of providing nonpartisan journalism 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 operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statement of cash flows which identifies the sources and uses of CalMatters' cash and shows positive cash generated by operations for the years ended December 31, 2021 and 2020.

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

	2021	2020
Cash and cash equivalents	**$ 819,536**	$ 1,437,256
Investments	**2,290,356**	2,251,059
Accounts, grants, and pledges receivable	**1,370,813**	781,819
Less: amounts not available to be used within one year:		
Restricted cash	**(304,172)**	(152,854)
Net assets with donor restrictions for programs	**(3,581,903)**	(2,851,901)
Financial assets available to meet general expenditures over the next twelve months	**$ 594,630**	$ 1,465,379

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.

10. 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 $223,429 and $199,220 at December 31, 2021 and 2020, respectively. Total accrued payroll liabilities (which include the accrued vacation) amounted to $223,429 and $199,220 at December 31, 2021 and 2020, respectively.

11. Refundable Advances from SBA under Paycheck Protection Program (PPP)

During April 2020, CalMatters applied for and received $535,141 in a forgivable loan under the Small Business Administration Paycheck Protection Program ("PPP"), the total amount of which was funded through Beneficial State Bank. Congress established the PPP to provide relief to small businesses during the coronavirus pandemic as part of the $2 trillion Coronavirus Aid, Relief, and Economic Security (CARES) Act, P.L. 116-136. This legislation authorized the United States Treasury Department to use the SBA's 7(a) small business lending program to fund loans of up to $10 million per borrower that qualifying businesses could spend to cover payroll, mortgage interest, rent, and utilities.

Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan of $535,141 were initially treated a liability titled "refundable advance" and reflected as a current liability on the statements of financial position. During April 2021, CalMatters received notification from Beneficial State Bank that its application for forgiveness had been accepted by the SBA. The refundable advance was transferred to government contributed income and is included with contributions on the statement of activities and changes in net asset for the year ended December 31, 2021

12. Employee Benefit Plans

CalMatters has a defined contribution pension plan covering all employees. In accordance with rules sanctioned by the Internal Revenue Service, CalMatters maintains a 457(b) Eligible Deferred Compensation Plan in order to attract and retain personnel by providing deferred compensation. The Plan provides for matching employer contributions of up to 4% of wages. CalMatters contributed $107,459 and $63,277 to the 457(b) Plan during the years ended December 31, 2021 and 2020, respectively. At December 31, 2021, three people were covered under the Plan. At December 31, 2020, two people were covered under the Plan.

13. Net Assets

<u>Net Assets without Donor Restrictions</u>
Net assets without donor restrictions of $506,899 and $492,900 at December 31, 2021 and 2020, respectively, represent the cumulative retained surpluses since the organization's inception.

<u>Net Assets with Donor Restrictions – Time and Purpose</u>
Net assets with donor restrictions are restricted for the following purposes or periods at December 31:

	2021	**2020**
Passage of time	**$ 436,775**	$ 148,333
Subject to expenditure for specified purpose	**3,581,903**	2,851,901
Discount on multi-year pledges	**(17,359)**	(2,184)
	$ 4,001,319	$ 2,998,050

During the years ended December 31, 2021 and 2020, CalMatters received $4,660,381 and $2,265,293, respectively, in donations with restrictions. Donations released from restrictions amounted to $3,641,937 and $3,037,712 for the years ended December 31, 2021 and 2020, respectively. The change in the discount on multi-year pledges amounted to ($15,175) and $40,824 for the years ended December 31, 2021 and 2020, respectively.

14. Right of Use Asset and Lease Commitments

CalMatters is obligated under a 67-month lease agreement for corporate office space in Sacramento through October 2025. As of December 31, 2021, the lease requires a monthly payment of $20,371 with annual increases of approximately 2.0% each April 1st. CalMatters has the option to renew the lease for a period of five years at prevailing market rates. CalMatters is also responsible for its proportionate share of building, maintenance, and operating expenses which includes insurance, taxes, and utilities.

In accordance with *ASU 2016-02, Leases,* CalMatters reflects the present value of future operating lease payments (discounted at an appropriate borrowing rate) as a "Right of Use" asset and a corresponding lease liability. Accordingly, CalMatters has recorded a total lease liability in the amount of $871,054 and $1,069,895 at December 31, 2021 and 2020, respectively, for its Sacramento office (split between current amount of $218,245 and $198,841 and noncurrent amount of $652,809 and $871,054 at December 31, 2021 and 2020, respectively) and a right of use asset for the premises in the amount of $757,450 and $943,203 at December 31, 2021 and 2020, respectively. The weighted average discount rate associated with the calculation of the present value of the future lease payments was 4.0%.

At December 31, 2021, future minimum lease payments are summarized as follows: Year ending December 31, 2022: $248,274; Year ending December 31, 2023: $253,367; Year ending December 31, 2024: $258,460; and Year ending December 31, 2025: $219,415. Rent expense amounted to $248,960 and $216,864 for the years ended December 31, 2021 and 2020, respectively.

15. Commitments and Contingencies

In the normal course of business CalMatters could be subject to certain commitments and contingencies which might not be fully reflected in the financial statements. Such commitments and contingencies also include risks associated with various economic and operating factors, which include (a) grant restrictions and donor conditions which obligate CalMatters to fulfill certain requirements as set forth in grant instruments, (b) funding levels which vary based on factors beyond CalMatters' control, such as generosity of donors and general economic conditions, (c) employment and service agreements with key management personnel, including executive officers of the organization, and (d) financial risks associated with funds on deposit in accounts at financial institutions. Certain of the grants and contracts (including current and prior costs) are subject to adjustment upon review and final acceptance by the granting agency. Management believes that such commitments, contingencies and risks will not have a material adverse effect on the financial statements.

16. COVID-19

As a result of COVID-19 and its variants, the worldwide threat continues to (a) impact financial markets, (b) threaten revenue streams, and (c) impact private enterprises with which CalMatters conducts business. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, continues to present challenges. These financial statements reflect certain economic ramifications which impacted the years ended December 31, 2021 and 2020.

17. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CalMatters has evaluated subsequent events through October 20, 2022, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which are required to be disclosed.