CAL MATTERS

Financial Statements

For the Years Ended December 31, 2023 and 2022

With Independent Auditors' Report Thereon

(A California Not-for-Profit Corporation)

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, 2023, 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, 2023, 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.

INDEPENDENT AUDITORS' REPORT *(continued)*

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, 2022, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 4, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Regalia + Associates

October 28, 2024
Danville, California

Statements of Financial Position
December 31, 2023 and 2022

ASSETS

	2023	2022
Current assets:		
Cash and cash equivalents	**$ 1,023,702**	$ 1,101,169
Investments, at fair value	**381,594**	231,235
Investments in held-to-maturity certificates of deposit	**4,800,000**	4,318,526
Interest receivable	**54,874**	-
Accounts, grants, and pledges receivable	**2,746,000**	2,485,725
Prepaid expenses and other current assets	**148,512**	44,737
Deposits	**19,947**	19,947
Total current assets	**9,174,629**	8,201,339
Noncurrent assets:		
Account, grants, and pledges receivable, net	**647,065**	701,942
Right of use asset - premises	**360,128**	563,282
Property and equipment, net	**124,760**	26,938
Total noncurrent assets	**1,131,953**	1,292,162
Total assets	**$ 10,306,582**	$ 9,493,501

LIABILITIES AND NET ASSETS

	2023	2022
Current liabilities:		
Accounts payable and accrued liabilities	**$ 264,303**	$ 42,513
Accrued payroll liabilities	**449,713**	365,330
Lease payable - current portion	**246,976**	232,324
Deferred revenue	**24,000**	-
Deferred sponsorships	**80,000**	-
Total current liabilities	**1,064,992**	640,167
Noncurrent liabilities:		
Lease payable - noncurrent portion	**173,509**	420,485
Accrued pension liability	**381,594**	268,458
Total noncurrent liabilities	**555,103**	688,943
Total liabilities	**1,620,095**	1,329,110
Net assets:		
Without donor restrictions	**2,178,247**	2,750,656
With donor restrictions	**6,508,240**	5,413,735
Total net assets	**8,686,487**	8,164,391
	$ 10,306,582	$ 9,493,501

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2023
(with Summarized Financial Information for the Year Ended December 31, 2022)

	Net Assets			
Changes in net assets:	Without Donor Restrictions	With Donor Restrictions	2023 Total	2022 Total
Contributed support:				
Contributions	$ 4,155,318	$ 7,359,337	**$ 11,514,655**	$ 12,741,033
Corporate sponsorships	408,226	-	**408,226**	262,707
Investment income	229,316	-	**229,316**	20,772
Realized gains (losses) on investments	5,392	-	**5,392**	(3,181)
Unrealized gains (losses) on investments	6,456	-	**6,456**	(6,353)
Other revenue	20,767	-	**20,767**	13,363
Net assets released from restrictions	6,232,955	(6,232,955)	**-**	-
Change in discount - multi-year receivables	-	(31,877)	**(31,877)**	(3,699)
Total contributed support	11,058,430	1,094,505	**12,152,935**	13,024,642
Earned income:				
Service income	109,000	-	**109,000**	-
Total revenue and support	11,167,430	1,094,505	**12,261,935**	13,024,642
Expenses:				
Programs	9,881,424	-	**9,881,424**	7,619,075
General and administrative	368,853	-	**368,853**	401,700
Fundraising	1,489,562	-	**1,489,562**	1,347,694
Total expenses	11,739,839	-	**11,739,839**	9,368,469
Increase (decrease) in net assets	(572,409)	1,094,505	**522,096**	3,656,173
Net assets at beginning of year	2,750,656	5,413,735	**8,164,391**	4,508,218
Net assets at end of year	$ 2,178,247	$ 6,508,240	**$ 8,686,487**	$ 8,164,391

Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	2023	2022
Operating activities:		
Increase in net assets	**$ 522,096**	$ 3,656,173
Adjustments to reconcile to cash used for operating activities:		
Amortization of right of use asset and operating lease liability	**(29,170)**	(24,077)
Change in discount on multi year grants and pledges	**31,877**	3,699
Unrealized losses (gains) on investments	**(6,456)**	6,353
Realized losses (gains) on investments	**(5,392)**	-
Amortization and depreciation	**15,177**	17,832
Accrued pension liability	**113,136**	(35,714)
Changes in:		
Interest receivable	**(54,874)**	-
Accounts, grants, and pledges receivable	**(237,275)**	(1,241,912)
Prepaid expenses and other current assets	**(103,775)**	14,643
Accounts payable and accrued liabilities	**221,790**	28,877
Accrued payroll liabilities	**84,383**	141,901
Deferred revenue	**24,000**	-
Deferred sponsorships	**80,000**	-
Cash provided by operating activities	**655,517**	2,567,775
Investing activities:		
Acquisition of property and equipment	**(113,000)**	(20,384)
Acquisition of investments	**(619,984)**	(2,573,713)
Cash used for investing activities	**(732,984)**	(2,594,097)
Decrease in cash and cash equivalents	**(77,467)**	(26,322)
Prior period adjustment: reclassification of investments	**-**	307,955
Cash and cash equivalents at beginning of year	**1,101,169**	819,536
Cash and cash equivalents at end of year	**$ 1,023,702**	$ 1,101,169
Additional cash flow information:		
Interest paid	**$ -**	$ -
State registration taxes paid	**$ 400**	$ 200

Statement of Functional Expenses
For the Year Ended December 31, 2023
(with Summarized Financial Information for the Year Ended December 31, 2022)

	General Program	CalMatters for Learning	Youth & College Journalism	Digital & Media	Management and General	Fund-raising	2023 Total	2022 Total
Amortization and depreciation	$ 10,035	$ 127	$ 974	$ 1,414	$ 512	$ 2,115	**$ 15,177**	$ 17,832
Bank charges and processing fees	-	-	-	-	348	21,980	**22,328**	787
Conferences, Conventions, and meetings	111,960	8	59	85	1,960	127	**114,199**	7,234
Fundraising and marketing	-	-	-	-	-	166,955	**166,955**	175,406
Insurance	23,702	300	2,300	3,340	1,210	4,997	**35,849**	29,599
Office expenses	45,604	577	4,425	6,426	2,288	9,955	**69,275**	101,026
Personnel, benefits, and payroll taxes	5,936,728	74,917	574,093	833,722	302,096	1,247,261	**8,968,817**	7,467,013
Professional services	2,879	1,174	8,257	5,047	52,575	3,705	**73,637**	33,485
Operating lease expense	154,012	1,950	14,944	21,702	7,864	32,467	**232,939**	229,809
Reporting and production	1,064,163	-	269,688	2,135	-	-	**1,335,986**	1,209,382
Technology	-	2,724	-	701,953	-	-	**704,677**	96,896
Total Expenses	$ 7,349,083	$ 81,777	$ 874,740	$ 1,575,824	$ 368,853	$ 1,489,562	**$ 11,739,839**	$ 9,368,469

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 – For financial statement purposes, CalMatters considers all cash accounts and highly liquid debt instruments purchased with an original maturity of 90 days or less as cash equivalents. The amount is available to support the operating needs of CalMatters.

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.

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
December 31, 2023 and 2022

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.* The fair value of investment is estimated using available market data, along with other relevant valuation methodologies where applicable. These valuations are based on the best information available to management as of December 31, 2023 and 2022, and may not necessarily reflect the amounts that could be realized in an immediate market exchange.

Management uses reasonable assumptions and estimation methods in determining fair value. However, variations in assumptions, changes in economic conditions, or differences in estimation methods may have a material effect on the reported fair value of investments. While management is not aware of factors likely to significantly affect the current fair value estimates, it is important to note that actual results could vary due to economic fluctuations, market conditions, or other external factors impacting asset values.

As of December 31, 2023 and 2022, CalMatters classifies its investments according to the fair value hierarchy established by *ASC 820*, providing a consistent framework for fair value measurement and reflecting management's estimates based on market conditions at each reporting date.

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, 2022, from which the summarized information was derived.

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

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

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.

Volunteers donate a substantial amount of time to CalMatters. While significant in value, these services are not recorded in the financial statements since they are not susceptible to objective measurement or valuation. There were no contributed services that met the criteria for recognition for the years ended December 31, 2023 and 2022.

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 the class accounting within the accounting system to track and allocate expenses to the appropriate functional categories, ensuring accuracy and consistency in reporting expenses.

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:

<u>Net Assets without Donor Restrictions</u>
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, 2023 and 2022.

<u>Net Assets with Donor Restrictions</u>
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.

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

Fair Value Measurements – CalMatters follows the provisions of *ASC 820, Fair Value Measurement*, which establishes a framework for measuring fair value and requires expanded disclosures about 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 and reflect the entity's assumptions for pricing.

Investments in cash equivalents, mutual funds, debt securities, and certain domestic and international equities are valued based on quoted market prices, and are therefore, typically classified within Level 1. Investments in cash management funds, where cash deposits are invested in a diversified network of banks are classified within Level 2.

Certain investment partnerships classified as level 3 generally value their investments at fair value and in accordance with accounting principles generally accepted in the United States of America. Investments with no readily available market are generally valued according to the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, and/or the income approach. Consideration is also given to financial condition and operating results of the investment, the amount the investment partnerships can reasonably expect to realize upon the sale of the securities, and any other factors deemed relevant.

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*)

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.

Membership revenue is derived from recurring support provided by donors. Revenue from memberships is recognized over the period in which the benefits are provided to members. If memberships provide benefits that can be valued and are significant, the membership revenue is allocated between contribution revenue and exchange revenue based on fair value estimates of the benefits provided.

CalMatters generates revenue through public events and educational programs. Program revenue from events with a specific performance obligation is recognized at the time the event occurs or when the service is delivered. When payment is received in advance of an event, revenue is deferred and recognized upon completion of the performance obligation.

Revenue from sponsorships and underwriting is recognized over the period that sponsorship benefits are delivered, typically based on exposure in content or during specified events. Sponsorship payments received in advance are recorded as deferred revenue until the related services are performed.

For contracts with customers that are exchange transactions, revenue is recognized in accordance with *ASC 606* based on the transfer of promised goods or services to customers in an amount that reflects the consideration CalMatters expects to be entitled to in exchange. Revenue from contracts is recognized over time or at a point in time, depending on the terms of the contract and the nature of the performance obligations.

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, 2023 and 2022.

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 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.

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. As of October 29, 2024 (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 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*. The 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 2016, the FASB issued *ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. This 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.

ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets – The purpose of the *ASU 2020-07* is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by CalMatters. *ASU 2020-07* does not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

3. Cash and Cash Equivalents

CalMatters considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of the following at December 31:

	2023	2022
Cash in noninterest-bearing checking account	**$ 890,792**	$ 793,214
Money market funds – 7- day yield of 5%	**132,910**	307,955
Total cash and cash equivalents	**$ 1,023,702**	$ 1,101,169

Concentration risk: Balances at the end of each year exceeded federal insurance limit of $250,000 but management monitors its exposure throughout the year.

4. 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.

Investments are categorized based on their nature, ownership, and CalMatters' intent, in accordance with *ASC 320 Investments in Debt Securities* and *ASC 820 Fair Value Measurement*. Investments consist of held-to-maturity-certificates of deposit and deferred compensation plan assets as of December 31, 2023.

4. Investments *(continued)*

Investments in held-to-maturity-certificates of deposit: Certificates of deposit (CDs) are classified as held-to-maturity (HTM) securities in accordance with *ASC 320 Investments in Debt Securities*, as CalMatters has both the intent and the ability to hold them until maturity. These investments are reported at amortized cost on the statement of financial position and have maturity dates of nine months or less. Unrealized investment gains (losses) on the HTM CDs are not recorded.

Deferred compensation plan assets: CalMatters established a 457(b) Eligible Deferred Compensation Plan to attract and retain personnel by providing deferred compensation. The assets are primarily invested in mutual funds tracking the S&P 500. These plan assets are held in a rabbi trust and remain subject to CalMatters' creditors. Plan assets are reported at fair value and matched by a deferred compensation liability of the same amount.

Investments consist of the following at December 31:

	2023	2022
Deferred compensation plan assets, at fair value	**$ 381,594**	$ 231,235
Held-to-maturity-certificates of deposit, at amortized cost	**4,800,000**	4,318,526
Total investments	**$ 5,181,594**	$ 4,549,761

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

	2023	2022
Dividends and interest	**$ 229,316**	$ 20,772
Net realized gains (losses)	**5,392**	(3,181)
Net unrealized gains (losses)	**6,456**	(6,353)
Total investment income (net)	**$ 241,164**	$ 11,238

During the years ended December 31, 2023 and 2022, 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).

5. Fair Value Measurements

CalMatters follows *ASC 820 Fair Value Measurement*, with respect to accounting and reporting for the fair value of its financial assets and liabilities.

ASC 825-10-05 Financial Instruments, gives entities the option, at fair value (the Fair Value Option), at specific election dates, to measure certain financial assets and liabilities at fair value. The election may be applied to financial assets and liabilities on an instrument-by-instrument basis, is irrevocable, and may only be applied to entire instruments. Unrealized gains and losses on instruments for which the fair value option has been elected are reported in earnings at each subsequent reporting date. During the years ended December 31, 2023 and 2022, CalMatters did not elect fair value accounting for any assets or liabilities that are not currently required to be measured at fair value.

5. Fair Value Measurements *(continued)*

Composition of assets utilizing fair value measurements at December 31, 2023 is as follows:

	Total	Level 1	Level 2	Level 3
Deferred compensation plan assets	$ 381,594	$ 381,594	$ -	$ -
Held-to-maturity-certificates of deposit*	4,801,584	-	4,801,584	-
Accounts, grants, and pledges receivable (current)	2,746,000	-	2,746,000	-
Accounts, grants, and pledges receivable (noncurrent)	647,065	-	-	647,065
Totals	$ 8,576,243	$ 381,594	$ 7,547,584	$ 647,065

**CalMatters held-to-maturity-certificates of deposit, are carried at amortized cost. The fair values of these held-to-maturity investments are disclosed based on the fair value hierarchy required by ASC 820.*

Composition of assets utilizing fair value measurements at December 31, 2022 is as follows:

	Total	Level 1	Level 2	Level 3
Deferred compensation plan assets	$ 231,235	$ 231,235	$ -	$ -
Held-to-maturity-certificates of deposit	4,318,526	-	4,318,526	-
Accounts, grants, and pledges receivable (current)	2,485,725	-	2,485,725	-
Accounts, grants, and pledges receivable (noncurrent)	701,942	-	-	701,942
Totals	$ 7,737,428	$ 231,235	$ 6,804,251	$ 701,942

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 4.09% per annum as disclosed in Note 6).

6. Accounts, Grants, and Pledges Receivable

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

	2023	2022
Year ending December 31, 2023	**$ -**	$ 2,485,725
Year ending December 31, 2024	**2,746,000**	723,000
Year ending December 31, 2025	**700,000**	-
Total	**3,446,000**	3,208,725
Less: amounts due in current year	**(2,746,000)**	(2,485,725)
Less: discount applied to multi-year receivables	**(52,935)**	(21,058)
Total accounts, grants, and pledges receivable – noncurrent	**$ 647,065**	$ 701,942

6. Accounts, Grants, and Pledges Receivable (*continued*)

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 4.09%. 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 ($31,877) and ($3,699) for the years ended December 31, 2023 and 2022, 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, 2023 and 2022. There were no write-offs and thus no bad debt expense for the years ended December 31, 2023 and 2022.

At December 31, 2023, six donors accounted for 81% of total accounts, grants, and pledges receivable. There were no related party receivables at December 31, 2023. At December 31, 2022, three donors accounted for 76% of total accounts, grants, and pledges receivable. There were no related party receivables at December 31, 2022.

7. Property and Equipment

Property and equipment consist of the following at December 31:

	2023	2022
Leasehold improvements	**$ 22,794**	$ 22,794
Equipment	**20,384**	20,384
Website development	**133,250**	20,251
Less: accumulated amortization and depreciation	**(51,668)**	(36,491)
Property and equipment, net	**$ 124,760**	$ 26,938

Amortization and depreciation expense amounted to $15,177 and $17,832 and for the years ended December 31, 2023 and 2022, respectively.

8. Related Party Transactions

During the years ended December 31, 2023 and 2022, certain employees of CalMatters' staff and members of the Board of Directors made charitable contributions to the organization totaling $379,500 and $383,143, respectively. Such amounts are included with contributions on the statement of activities and changes in net assets.

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. 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.

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:

	2023	2022
Cash and cash equivalents	**$ 1,023,702**	$ 1,101,169
Held-to-maturity-certificates of deposit (maturing within one year)	**4,800,000**	4,318,526
Accrued interest receivable	**58,874**	-
Accounts, grants, and pledges receivable	**2,746,000**	2,485,725
Less: amounts not available to be used within one year:		
Net assets with donor restrictions for programs	**(6,508,240)**	(5,313,735)
Financial assets available to meet general expenditures over the next twelve months	**$ 2,120,336**	$ 2,591,685

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. CalMatters 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 $374,043 and $298,252 at December 31, 2023 and 2022, respectively. Total accrued payroll liabilities (which include the accrued vacation) amounted to $449,713 and $365,330 December 31, 2023 and 2022, respectively.

11. 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 $46,304 and $62,932 and to the 457(b) Plan during the years ended December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022, three people were covered under the Plan.

12. Net Assets

Net Assets without Donor Restrictions
Net assets without donor restrictions of $2,178,247 and $2,750,656 at December 31, 2023 and 2022, respectively, represent the cumulative retained surpluses since the organization's inception.

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

	2023	**2022**
Passage of time	**$ -**	$ 100,000
Subject to expenditure for specified purpose	**6,559,908**	5,434,793
Discount on multi-year pledges	**(51,668)**	(21,058)
	$ 6,508,240	$ 5,413,735

During the years ended December 31, 2023 and 2022, CalMatters received $7,359,337 and $6,093,813, respectively, in donations with restrictions. Donations released from restrictions amounted to $6,232,955 and $4,677,698 for the years ended December 31, 2023 and 2022, respectively. The change in the discount on multi-year pledges amounted to ($31,877) and ($3,699) for the years ended December 31, 2023 and 2022, respectively.

13. 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, 2023, the lease requires a monthly payment of $21,220 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 is required to reflect the present value of future operating lease payments (discounted at an appropriate borrowing rate) as an "Operating Right of Use" asset and a corresponding operating lease liability. The weighted average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, CalMatters estimates an applicable incremental borrowing rate. The incremental borrowing rate is estimated using CalMatters' applicable borrowing rates and the contractual lease term. The estimated effective incremental borrowing rate for the lease was determined to be 4.01%. CalMatters had no finance leases in effect during the years ended December 31, 2023 and 2022.

Notes to Financial Statements
December 31, 2023 and 2022

13. Operating Right of Use Asset and Leases *(continued)*

When applicable, CalMatters has elected the short-term lease exemption for all leases with a term of 12 months or fewer for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Additionally, certain immaterial multi-year leases were not capitalized as operating right of use assets. Lease payments under these agreements are recognized on a straight-line basis.

Total operating right of use asset and operating lease liabilities on the combined statements of financial position consist of the following at December 31:

	2023	**2022**
Gross operating right of use asset – premises	**$ 1,127,212**	$ 1,127,212
Accumulated amortization operating right of use asset – premises	**(767,084)**	(563,930)
Total operating right of use asset, net	**$ 360,128**	$ 563,282

	2023	**2022**
Operating lease liability – short term	**$ 246,976**	$ 232,324
Operating lease liability – long term	**173,509**	420,485
Total operating lease liability	**$ 420,485**	$ 652,809

Total operating lease cost recognized within occupancy expense on the statement of functional expenses is summarized as follows at December 31:

	2023	**2022**
Amortization of operating lease asset	**$ 203,154**	$ 194,168
Interest on lease liability	**21,892**	30,878
Variable lease credit (cost)	**(29,170)**	(24,077)
Operating lease cost	**$ 195,876**	$ 200,969

The following summarizes cash flow information related to operating leases as of December 31:

	2023	**2022**
Principal payments applied to lease liability	**$ 232,324**	$ 218,245
Interest on lease liability	**21,892**	30,878
Total cash paid for amounts included in measurement of lease liabilities	**$ 254,216**	$ 249,123

As of December 31, 2023, future minimum payments under lease agreements are as follows:

Year Ending:	**Total**
December 31, 2024	$ 259,308
December 31, 2025	176,126
Total Lease Payments	435,434
Less: Interest	(14,950)
Present value of lease liabilities	**$ 420,484**

13. Operating Right of Use Asset and Leases *(continued)*

The following table represents the weighted-average remaining lease term and discount rate for the operating lease as of December 31, 2023:

	2023
Weighted average remaining lease terms (years)	1.8
Weighted average discount rate	4.01%

14. 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.

15. Subsequent Events

In compliance with ASC 855, *Subsequent Events*, CalMatters has evaluated subsequent events through October 28, 2024, the date the financial statements were available to be issued. In the opinion of management, there are no subsequent events which necessitate disclosure.