

REPORT OF
INVESTIGATIVE REPORTERS
AND EDITORS, INC.
JUNE 30, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Investigative Reporters and Editors, Inc.

We have audited the accompanying financial statements of Investigative Reporters and Editors, Inc. ("IRE"), which comprise the statements of financial position as of June 30, 2018 and 2017, the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of IRE as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Williams Keepers LLC

February 18, 2019

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2018 and 2017

ASSETS	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 1,425,929	\$ 960,281
Accounts receivable	335,473	380,823
Prepaid expenses	26,838	84,001
Publications inventory	14,089	15,347
Pledges and grants receivable	487,000	200,000
Capital assets, net of accumulated depreciation of \$101,000 for 2018 and \$720,000 for 2017	19,880	603,318
Investments	<u>4,489,118</u>	<u>4,493,452</u>
Total assets	<u><u>\$ 6,798,327</u></u>	<u><u>\$ 6,737,222</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 536,542	\$ 467,522
Funds administered as a fiscal agent	440,183	56,731
Unearned revenues	<u>12,990</u>	<u>22,500</u>
Total liabilities	<u>989,715</u>	<u>546,753</u>
NET ASSETS		
Unrestricted:		
Reserve funds	540,908	500,403
Other	<u>93,834</u>	<u>694,928</u>
Total unrestricted	634,742	1,195,331
Temporarily restricted	1,759,393	1,571,643
Permanently restricted	<u>3,414,477</u>	<u>3,423,495</u>
Total net assets	<u>5,808,612</u>	<u>6,190,469</u>
Total liabilities and net assets	<u><u>\$ 6,798,327</u></u>	<u><u>\$ 6,737,222</u></u>

The notes to financial statements are an integral part of these statements.

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018
(with summarized totals for 2017)

	2018			Total	2017 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
OPERATING ACTIVITIES					
REVENUE AND OTHER SUPPORT					
Membership	\$ 305,031	\$ -	\$ -	\$ 305,031	\$ 271,588
Sales and services	148,321	-	-	148,321	191,830
Conferences and seminars	980,996	-	-	980,996	762,405
Contributions	366,981	800,029	-	1,167,010	1,016,870
Investment return (loss)	505	(13,557)	-	(13,052)	223,915
Other	26,858	-	-	26,858	49,577
Net assets released from restrictions	582,081	(582,081)	-	-	-
Reclassification to fiscal agent liability	-	(36,731)	-	(36,731)	-
Transfers between restrictions	5,785	20,090	(25,875)	-	-
Total revenue and other support	<u>2,416,558</u>	<u>187,750</u>	<u>(25,875)</u>	<u>2,578,433</u>	<u>2,516,185</u>
EXPENSES					
Program:					
Member services	115,090	-	-	115,090	122,076
Sales and services	374,628	-	-	374,628	785,368
Conferences and seminars	1,108,652	-	-	1,108,652	918,795
Awards contest	16,728	-	-	16,728	16,372
Total program expense	<u>1,615,098</u>	<u>-</u>	<u>-</u>	<u>1,615,098</u>	<u>1,842,611</u>
General and administrative	619,374	-	-	619,374	599,549
Fund-raising	176,821	-	-	176,821	67,637
Total expenses	<u>2,411,293</u>	<u>-</u>	<u>-</u>	<u>2,411,293</u>	<u>2,509,797</u>
Excess of operating revenues and other support over expenses	5,265	187,750	(25,875)	167,140	6,388
NONOPERATING ACTIVITIES					
Contributions	-	-	9,562	9,562	35,473
Investment return	-	-	7,295	7,295	9,517
(Loss) on disposal of Document Cloud	(565,854)	-	-	(565,854)	-
Increase in net assets	<u>(560,589)</u>	<u>187,750</u>	<u>(9,018)</u>	<u>(381,857)</u>	<u>51,378</u>
Net assets at beginning of year	<u>1,195,331</u>	<u>1,571,643</u>	<u>3,423,495</u>	<u>6,190,469</u>	<u>6,139,091</u>
Net assets at end of year	<u>\$ 634,742</u>	<u>\$ 1,759,393</u>	<u>\$ 3,414,477</u>	<u>\$ 5,808,612</u>	<u>\$ 6,190,469</u>

The notes to financial statements are an integral part of these statements.

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
OPERATING ACTIVITIES				
REVENUE AND OTHER SUPPORT				
Membership	\$ 271,588	\$ -	\$ -	\$ 271,588
Sales and services	191,830	-	-	191,830
Conferences and seminars	762,405	-	-	762,405
Contributions	80,496	936,374	-	1,016,870
Investment return	283	223,632	-	223,915
Other	49,577	-	-	49,577
Net assets released from restrictions	1,248,081	(1,248,081)	-	-
Total revenue and other support	2,604,260	(88,075)	-	2,516,185
EXPENSES				
Program:				
Member services	122,076	-	-	122,076
Sales and services	785,368	-	-	785,368
Conferences and seminars	918,795	-	-	918,795
Awards contest	16,372	-	-	16,372
Total program expense	1,842,611	-	-	1,842,611
General and administrative	599,549	-	-	599,549
Fund-raising	67,637	-	-	67,637
Total expenses	2,509,797	-	-	2,509,797
Excess of operating revenues and other support over expenses	94,463	(88,075)	-	6,388
NONOPERATING ACTIVITIES				
Contributions	-	-	35,473	35,473
Investment return	-	-	9,517	9,517
Increase in net assets	94,463	(88,075)	44,990	51,378
Net assets at beginning of year	1,100,868	1,659,718	3,378,505	6,139,091
Net assets at end of year	\$ 1,195,331	\$ 1,571,643	\$ 3,423,495	\$ 6,190,469

The notes to financial statements are an integral part of these statements.

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2018 and 2017

	2018	2017
OPERATING ACTIVITIES		
Increase in net assets	\$ (381,857)	\$ 51,378
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	32,262	235,983
Realized and unrealized investment (gain)	166,577	(74,055)
Loss on disposal of equipment	585,855	-
Permanently restricted contributions	(9,562)	(35,473)
Reinvested endowment earnings	(7,295)	(9,517)
(Increases) decreases in operating assets and		
Increases (decreases) in operating liabilities:		
Accounts receivable	45,350	(98,685)
Pledges and grants receivable	(287,000)	(97,761)
Prepaid expenses	57,163	(58,671)
Publications inventory	1,258	986
Accounts payable	69,020	120,213
Funds administered as a fiscal agent	383,452	(198,250)
Unearned revenues	(9,510)	(9,350)
Net cash provided (used) by operating activities	645,713	(173,202)
INVESTING ACTIVITIES		
Capital asset additions	(34,679)	(255,979)
Purchases of investments	(714,794)	(604,343)
Sales of investments	281,971	439,782
Net change in cash sweep account	270,580	(175,240)
Net cash (used) by investing activities	(196,922)	(595,780)
FINANCING ACTIVITIES		
Cash collected from permanently restricted contributions	9,562	35,473
Reinvested endowment earnings	7,295	9,517
Net cash provided by financing activities	16,857	44,990
Net increase (decrease) in cash and cash equivalents	465,648	(723,992)
Cash and cash equivalents, beginning of year	960,281	1,684,273
Cash and cash equivalents, end of year	\$ 1,425,929	\$ 960,281

The notes to financial statements are an integral part of these statements.

INVESTIGATIVE REPORTERS AND EDITORS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Investigative Reporters and Editors, Inc. (IRE) is a non-profit, educational organization of journalists, students, researchers, and academics. IRE's purpose is to enhance the skills and resources available to working journalists and to teach the techniques of investigative work.

IRE operates the National Institute for Computer-Assisted Reporting (NICAR), a joint program of IRE and the Missouri School of Journalism. NICAR's mission is to train and educate journalists in the techniques and technologies of computer-assisted reporting. Its mission is also to conduct data analysis and research to help news organizations better serve the public.

Financial statement presentation: The accompanying financial statements are prepared on the accrual basis of accounting. In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, IRE reports its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The classification of net assets as temporarily or permanently restricted is based on the existence of donor-imposed stipulations that specify a use for a contributed asset that is more specific than broad limits resulting from IRE's basic mission and the environment in which it operates. Assets without donor-imposed restrictions, including assets designated for specific use by IRE's Board of Directors, are included in unrestricted net assets.

Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of IRE pursuant to those stipulations. Beginning in fiscal year 2018, restricted support is reported as an increase in unrestricted net assets if the restriction expires or condition is met in the reporting period in which the support is recognized. Otherwise, when a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of IRE.

Contributions in-kind: IRE receives office space and utilities at no charge from the University of Missouri - Columbia. The estimated annual fair value of these contributions, \$12,000, and the off-setting expenses are included in the Statement of Activities.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash equivalents: For purposes of the statement of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents unless they are included in the long-term investment portfolio. IRE maintains cash balances at financial institutions that are insured by the Federal Deposit Insurance Corporation (FDIC).

Investments: Equity securities with readily determinable fair values and debt securities are reported in the financial statements at fair value. Fair value represents the estimated market value of the underlying securities and is generally obtained from IRE's investment manager, who obtains quoted market prices and dealer quotes.

Inventory: Inventory is determined using the first in, first out (FIFO) method and is stated at lower of cost or market.

Receivables: IRE records an allowance for estimated uncollectible accounts when necessary. At June 30, 2018 and 2017, IRE considered all accounts to be fully collectible.

Capital assets: Capital assets, which consist of computers and other equipment and website development costs, are stated at cost if purchased or fair value if contributed. Capitalized assets are depreciated over 3-7 years using the straight-line method.

Program expenses: Program expenses include expenses directly related to the respective programs and certain allocated indirect expenses. Indirect expenses, such as telephone, postage, and other staff salaries that pertain to IRE general programs, are allocated to specific programs based on criteria established by management.

Income taxes: IRE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. IRE's Form 990 annual report to the Internal Revenue Service (IRS) and its taxable status are subject to examination by the IRS for open tax years, which as of the date of this report are the years ended June 30, 2015 through 2018. Interest and penalties incurred, if any, related to annual Form 990 or unrelated business income tax filings are reported within general and administrative expenses in the Statement of Activities.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events: Events that occurred subsequent to June 30, 2018 have been evaluated through February 18, 2019, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents:		
Checking	\$ 884,546	\$ 459,403
Interest-bearing cash account:		
Reserve funds portion	540,908	500,403
Petty cash fund	475	475
Total cash and cash equivalents	<u>\$ 1,425,929</u>	<u>\$ 960,281</u>
Long-term investment portfolio:		
Cash sweep accounts	\$ 602,920	\$ 873,500
Common and preferred stocks	1,121,950	1,029,810
Master limited partnership	-	30,585
Corporate and municipal bonds	2,764,248	2,559,557
Total long-term investments	<u>\$ 4,489,118</u>	<u>\$ 4,493,452</u>
Long-term investment portfolio consists of:		
Investments under IRE's sole control	\$ 4,017,785	\$ 4,019,932
Investments limited as to use (FOI revolving fund - see Note 6)	471,333	473,520
	<u>\$ 4,489,118</u>	<u>\$ 4,493,452</u>

Components of investment return:

	2018	2017
Interest and dividends, less investment fees	\$ 160,820	\$ 159,377
Net investment (losses) gains	(166,577)	74,055
	<u>\$ (5,757)</u>	<u>\$ 233,432</u>
Operating activities	\$ (13,052)	\$ 223,915
Nonoperating activities	7,295	9,517
	<u>\$ (5,757)</u>	<u>\$ 233,432</u>

Reserve fund policy:

In June 2015, IRE approved a formal reserve policy setting goals for the amount of emergency reserves IRE must have on hand. These goals set the floor and the ceiling for the reserve at three months and six months, respectively, of total operating expense. Operating expenses are calculated based on quarterly payroll expenses and annualized budgeted administrative and general expenses. Reserve funds are available to be used in the case of a financial shortfall requiring immediate attention. A proposal to use reserve funds requires approval by the Board of Directors. If reserve funds fall below the floor amount, any funds that are available at the end of the fiscal year are to be used to replenish the reserves.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

For assets and liabilities required to be reported at fair value, generally accepted accounting principles prescribes a framework for measuring fair value and for making financial statement disclosures about fair value. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The fair value hierarchy as prescribed by generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access within 90 days of the measurement date.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, because there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. IRE's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

IRE's assets measured at fair value on a recurring basis as of June 30, 2018 and 2017, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

Description	Total	Level 1	Level 2	Level 3
2018:				
Common and preferred stocks:				
Financial services	\$ 117,205	\$ 117,205	\$ -	\$ -
Industrial materials	197,332	197,332	-	-
Energy	272,531	272,531	-	-
Transportation	97,573	97,573	-	-
Utilities	55,570	55,570	-	-
Health care	165,454	165,454	-	-
Consumer goods	16,067	16,067	-	-
Communications	157,397	157,397	-	-
Food and Beverage	42,821	42,821	-	-
Corporate bonds	2,718,466	-	2,718,466	-
Municipal bonds	45,782	-	45,782	-
Total investments at fair value	3,886,198	\$ 1,121,950	\$ 2,764,248	\$ -
Cash sweep accounts	602,920			
Total investment portfolio	\$ 4,489,118			
2017:				
Common and preferred stocks:				
Financial services	\$ 43,526	\$ 43,526	\$ -	\$ -
Industrial materials	277,284	277,284	-	-
Energy	190,183	190,183	-	-
Transportation	106,783	106,783	-	-
Utilities	65,151	65,151	-	-
Health Care	151,884	151,884	-	-
Consumer goods	17,783	17,783	-	-
Communications	127,471	127,471	-	-
Construction	160	160	-	-
Food and Beverage	49,585	49,585	-	-
Master ltd. partnership - energy	30,585	30,585	-	-
Corporate bonds	2,514,551	-	2,514,551	-
Municipal bonds	45,006	-	45,006	-
Total investments at fair value	3,619,952	\$ 1,060,395	\$ 2,559,557	\$ -
Cash sweep accounts	873,500			
Total investment portfolio	\$ 4,493,452			

Level 1 classifications for IRE consist of common stocks and preferred stocks where fair value is based on quoted prices in active markets.

Level 2 classifications for IRE consist of corporate and municipal bonds where fair value is determined using other observable inputs.

4. CAPITAL ASSETS

Capital assets, which consist of computers and other equipment and website development costs, are as follows at June 30:

	2018	2017
Computers and other equipment	\$ 106,289	\$ 100,792
IRE website	15,000	15,000
Document Cloud website	-	964,076
Total in service, at cost	121,289	1,079,868
Less accumulated depreciation	(101,409)	(720,143)
Total in service, net of depreciation	19,880	359,725
Document Cloud website improvements not yet placed in service	-	243,593
Total capital assets, net of depreciation	<u>\$ 19,880</u>	<u>\$ 603,318</u>

Depreciation expense of \$32,262 and \$252,121 was recorded for the years ended June 30, 2018 and 2017, respectively.

Document Cloud was transferred to Temple University in August 2017, and the disposal of the asset and related accumulated depreciation is reflected in the schedule above. A loss on the transfer of \$565,854 is reflected on the 2018 Statement of Activities.

5. CONTRIBUTIONS

Contributions received, including unconditional promises to give, are recognized as revenues in the period in which the contributions or pledges are made, at the net present value of their estimated future cash flows. Pledges that are conditional promises to give are recognized in the period in which the conditions are met. Grants are included with contributions for purposes of financial reporting.

Pledges and grants receivable at June 30, 2018 and 2017, are primarily from foundations and news organizations and are as follows:

	2018	2017
Due in one year or less	\$ 277,000	\$ 133,000
Due in two through five years	210,000	67,000
Net pledges and grants receivable	<u>\$ 487,000</u>	<u>\$ 200,000</u>

6. FUNDS ADMINISTERED AS A FISCAL AGENT

From time to time, IRE may agree to serve as a fiscal agent for other organizations or individuals who have received grant funding for purposes that are not inconsistent with IRE's mission. In situations where IRE is only a fiscal agent administering the grant receipts and expenditures and reporting to or on behalf of the grant recipients, but has no grant program performance responsibility, the funding receipts and expenditures from those receipts are reported as a liability on IRE's Statement of Financial Position. IRE charges an administrative fee for its fiscal agent services.

7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources either expendable only for purposes specified by the donor or subject to a donor's time restrictions as to when they are available for expenditure. The following represent the temporarily restricted net assets at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Temporarily restricted contributions:		
John S. and James L. Knight Foundation grants:		
NFOIC Freedom of Information revolving fund	456,144	460,632
Conference support	11,899	-
TV grant	128,156	-
Workshops	100,000	250,000
Pledges (time restricted)	487,000	200,000
Scholarships, fellowships, and trainings	303,279	224,439
Bootcamps	2,750	2,170
General	83,245	85,037
General endowment support	186,920	205,668
Other	-	143,697
	<u> </u>	<u> </u>
Total temporarily restricted net assets	<u>\$ 1,759,393</u>	<u>\$ 1,571,643</u>

NFOIC Freedom of Information revolving fund: IRE and the National Freedom of Information Coalition (NFOIC), a nonprofit organization, entered into a Memorandum of Understanding (MOU) on October 1, 2015. Under the terms of the MOU, a total of \$460,632, which was the balance of an original \$500,000 grant to NFOIC from the John S. and James L. Knight Foundation, was transferred on June 10, 2016, by the University of Missouri, operating as a fiscal agent for the grant, to IRE to act as a successor fiscal agent for the grant. The purpose of the grant was to establish a revolving fund to help defray costs for individual states of the U.S. for FOI litigation. Because of the related nature of the mission of IRE and NFOIC, and because IRE's responsibilities for the FOI grant program management extend beyond being a fiscal agent, IRE has reported the funds received as contribution revenue in its Statement of Activities and as an investment in its Statement of Financial Position. Consistent with this accounting, IRE intends to report as changes in net assets in its Statement of Activities for future periods investment earnings and expenditures of the funds and return by states of any unspent grant funds previously distributed to them.

Temporarily restricted net assets are reclassified as additions to unrestricted net assets in the Statement of Activities upon satisfaction of purpose and/or time restrictions placed by donors on their respective contributions and related investment return. The following summarizes the releases from restrictions for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Expenditures meeting purpose restrictions:		
From non-endowment contributions	<u>\$ 582,081</u>	<u>\$ 1,248,081</u>

8. ENDOWMENT FUNDS

Endowment funds consist of contributions that the donors have required to be maintained in perpetuity, including any outstanding donor pledges of endowment contributions. Endowment funds are invested in IRE's long-term investment portfolio, but at any point in time a portion may be temporarily held in uninvested bank deposit accounts.

Interpretation of Relevant Law

A version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the law governing the management of donor-restricted endowment funds in Missouri. UPMIFA provides guidance for investment management and expenditure decisions related to endowment funds.

The Board of Directors of IRE has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date for donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, IRE classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Pursuant to UPMIFA, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by IRE in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IRE considers the following factors in making a determination to appropriate or accumulate from a donor-restricted endowment fund: duration and preservation of the endowment fund; purposes of IRE and the endowment funds; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of IRE; and the investment policies of IRE.

IRE has not adopted a spending rate approach for appropriation of endowment earnings for expenditure. Instead, endowment earnings are expended based on the current needs of the organization and consistent with the purpose restrictions imposed by the donors. Accordingly, endowment gifts are invested appropriately to provide maximum long-term growth of the endowment portfolio balanced with the liquidity needed for current expenditure of a portion of the endowment earnings. A diversified mix of money market funds and equity and fixed income securities traded in public markets is used to achieve these objectives.

Funds with Deficiencies

From time to time, due to unfavorable market conditions, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires IRE to retain as a fund of perpetual duration. Because the portion of an endowment that is deemed to be permanently restricted for financial reporting purposes cannot be decreased by such decreases in fair value, deficiencies of this nature are charged against unrestricted net assets.

The following is a summary of changes in endowment funds for the years ended June 30, 2018 and 2017. All endowment funds are donor-restricted.

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2016	\$ -	\$ 291,512	\$ 3,378,505	\$ 3,670,017
Net investment return (loss)	-	223,632	9,517	233,149
Contributions				
Permanently restricted	-	-	35,473	35,473
Endowment net assets, June 30, 2017	-	515,144	3,423,495	3,938,639
Net investment return (loss)	(24)	(13,533)	7,295	(6,262)
Contributions				
Permanently restricted	-	-	9,562	9,562
Board designated for endowment	2,108	67,279	-	69,387
Reclassifications between restrictions	5,785	20,090	(25,875)	-
Appropriated for expenditures	-	(20,000)	-	(20,000)
Endowment net assets, June 30, 2018	\$ 7,869	\$ 568,980	\$ 3,414,477	\$ 3,991,326

The following is a summary of changes in endowments by net asset classification for the years ended June 30, 2018 and 2017:

	Long-term Investment Portfolio	Temporary Cash Funds	Pledges Receivable	Total
Balance, July 1, 2016	\$ 3,618,885	\$ 51,132	\$ -	\$ 3,670,017
Contributions and change in discount	-	35,473	-	35,473
Investment return:				
Income	159,094	-	-	159,094
Appreciation (depreciation)	74,055	-	-	74,055
Investment of permanently restricted funds	161,892	(161,892)	-	-
Transfers	18,816	(18,816)	-	-
Balance, June 30, 2017	4,032,742	(94,103)	-	3,938,639
Contributions and change in discount	-	9,562	-	9,562
Pledge collections	-	-	-	-
Board-designated endowment contributions	-	69,387	-	69,387
Investment return:				
Income	160,315	-	-	160,315
Appreciation (depreciation)	(166,577)	-	-	(166,577)
Expenditures	(20,000)	-	-	(20,000)
Investment of permanently restricted funds	-	-	-	-
Transfers	21,927	(21,927)	-	-
Balance, June 30, 2018	\$ 4,028,407	\$ (37,081)	\$ -	\$ 3,991,326

The following are the permanently restricted amounts of donor restricted endowment funds maintained by IRE, including any outstanding pledges of contributions that are permanently restricted:

	<u>2018</u>	<u>2017</u>
John S. and James L. Knight Foundation: Cumulative amounts recognized under challenge grants. The grants call for an annual addition to the permanently restricted portion for inflation	\$ 850,811	\$ 843,516
Other individual endowment funds, excluding any portion of the Knight Foundation challenge match funds that are allocable to these individual funds:		
Eugene S. Pulliam Fund: to fund the salary and other expenses of the IRE Resource Center directorship	475,000	475,000
Samuel I. Newhouse Foundation: for general IRE purposes	225,000	225,000
Gannett Foundation: to fund computer assisted investigative reporting training sessions	150,000	150,000
Nicholas B. Ottaway Foundation: to fund minority fellowships.	299,999	299,999
Las Vegas Sun: to fund investigative reporting training sessions	150,001	150,001
Fund for Freelance Journalists: to fund training fellowships for journalists working on investigative projects	103,352	103,352
Phillip Graham Foundation: to fund minority fellowships	137,500	137,500
James Bennett Award Funds: to fund fellowships to IRE/NICAR training events for students in Arkansas (except for the University of Arkansas-Fayetteville), Oklahoma, Louisiana, and Mississippi.	47,404	47,404
General endowment: Cumulative individual donor contributions, some of which has been designated for specific purposes	<u>975,410</u>	<u>991,723</u>
Total permanently restricted portion of donor restricted endowment funds	<u>\$ 3,414,477</u>	<u>\$ 3,423,495</u>

9. COMMITMENTS AND CONTINGENCIES

From time to time, IRE may receive grants which require any unused funds to be returned to the grantor at the conclusion of the grant period. Unless it is uncertain whether or not grant funds will be used for their respective restricted purpose within the grant period, unexpended grant funds are reported as temporarily restricted net assets. As of June 30, 2018 and 2017, any unexpended grant funds have been reported as contributions and are included in temporarily restricted net assets.