

**REPORT OF**  
**INVESTIGATIVE REPORTERS**  
**AND EDITORS, INC.**  
**JUNE 30, 2019 and 2018**

## 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, 2019 and 2018; the related statements of activities, functional expenses, 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, 2019 and 2018, 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 5, 2020

**INVESTIGATIVE REPORTERS AND EDITORS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**June 30, 2019 and 2018**

<b>ASSETS</b>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,751,492	\$ 1,425,929
Accounts receivable	274,309	335,473
Prepaid expenses	26,400	26,838
Publications inventory	13,589	14,089
Pledges and grants receivable	210,000	487,000
Capital assets, net of accumulated depreciation of \$110,000 for 2019 and \$101,000 for 2018	15,010	19,880
Investments	4,869,942	4,489,118
Total assets	<u>\$ 7,160,742</u>	<u>\$ 6,798,327</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 488,416	\$ 536,542
Funds administered as a fiscal agent	259,105	440,183
Unearned revenues	12,195	12,990
Total liabilities	<u>759,716</u>	<u>989,715</u>
<b>NET ASSETS</b>		
Without donor restrictions:		
Reserve funds	582,459	540,908
Board-designated for endowment	17,221	7,869
Other	358,613	85,965
Total net assets without donor restrictions	<u>958,293</u>	<u>634,742</u>
With donor restrictions:		
Perpetual restrictions	3,454,757	3,414,477
Purpose or time restrictions	1,987,976	1,759,393
Total net assets with donor restrictions	<u>5,442,733</u>	<u>5,173,870</u>
Total net assets	<u>6,401,026</u>	<u>5,808,612</u>
Total liabilities and net assets	<u>\$ 7,160,742</u>	<u>\$ 6,798,327</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, 2019**

**(with summarized totals for 2018)**

	2019			2018 Total
	Without Donor Restrictions	With donor Restrictions	Total	
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND OTHER SUPPORT</b>				
Membership	\$ 296,875	\$ -	\$ 296,875	\$ 305,031
Sales and services	119,094	-	119,094	148,321
Conferences and seminars	1,098,258	-	1,098,258	980,996
Contributions	609,058	576,869	1,185,927	1,167,010
Investment return (loss)	2,615	222,560	225,175	(13,052)
Other	41,910	-	41,910	26,858
Net assets released from restrictions	570,846	(570,846)	-	-
Reclassification to fiscal agent liability	-	-	-	(36,731)
<b>Total revenue and other support</b>	<b>2,738,656</b>	<b>228,583</b>	<b>2,967,239</b>	<b>2,578,433</b>
<b>EXPENSES</b>				
Program:				
Member services	115,612	-	115,612	115,090
Sales and services	230,231	-	230,231	374,628
Conferences and seminars	1,319,793	-	1,319,793	1,108,652
Awards contest	8,835	-	8,835	16,728
<b>Total program expense</b>	<b>1,674,471</b>	<b>-</b>	<b>1,674,471</b>	<b>1,615,098</b>
General and administrative	574,266	-	574,266	619,374
Fund-raising	166,368	-	166,368	176,821
<b>Total expenses</b>	<b>2,415,105</b>	<b>-</b>	<b>2,415,105</b>	<b>2,411,293</b>
Excess of operating revenues and other support over expenses	323,551	228,583	552,134	167,140
<b>NONOPERATING ACTIVITIES</b>				
Contributions	-	3,805	3,805	9,562
Investment return	-	36,475	36,475	7,295
(Loss) on disposal of Document Cloud	-	-	-	(565,854)
<b>Increase (decrease) in net assets</b>	<b>323,551</b>	<b>268,863</b>	<b>592,414</b>	<b>(381,857)</b>
Net assets at beginning of year	634,742	5,173,870	5,808,612	6,190,469
<b>Net assets at end of year</b>	<b>\$ 958,293</b>	<b>\$ 5,442,733</b>	<b>\$ 6,401,026</b>	<b>\$ 5,808,612</b>

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**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With donor</u> <u>Restrictions</u>	<u>Total</u>
<b>OPERATING ACTIVITIES</b>			
<b>REVENUE AND OTHER SUPPORT</b>			
Membership	\$ 305,031	\$ -	\$ 305,031
Sales and services	148,321	-	148,321
Conferences and seminars	980,996	-	980,996
Contributions	366,981	800,029	1,167,010
Investment return (loss)	505	(13,557)	(13,052)
Other	26,858	-	26,858
Net assets released from restrictions	582,081	(582,081)	-
Reclassification to fiscal agent liability	-	(36,731)	(36,731)
Transfers between restrictions	5,785	(5,785)	-
	<u>2,416,558</u>	<u>161,875</u>	<u>2,578,433</u>
Total revenue and other support			
<b>EXPENSES</b>			
Program:			
Member services	115,090	-	115,090
Sales and services	374,628	-	374,628
Conferences and seminars	1,108,652	-	1,108,652
Awards contest	16,728	-	16,728
	<u>1,615,098</u>	<u>-</u>	<u>1,615,098</u>
Total program expense			
General and administrative	619,374	-	619,374
Fund-raising	176,821	-	176,821
	<u>2,411,293</u>	<u>-</u>	<u>2,411,293</u>
Total expenses			
Excess of operating revenues and other support over expenses	5,265	161,875	167,140
<b>NONOPERATING ACTIVITIES</b>			
Contributions	-	9,562	9,562
Investment return	-	7,295	7,295
Loss on disposal of assets	(565,854)	-	(565,854)
	<u>(560,589)</u>	<u>178,732</u>	<u>(381,857)</u>
(Decrease) increase in net assets			
Net assets at beginning of year	<u>1,195,331</u>	<u>4,995,138</u>	<u>6,190,469</u>
Net assets at end of year	<u>\$ 634,742</u>	<u>\$ 5,173,870</u>	<u>\$ 5,808,612</u>

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

**INVESTIGATIVE REPORTERS AND EDITORS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Years Ended June 30, 2019 and 2018**

	2019			
	Supporting Services			
	Program	General and Administrative	Fund-raising	Total
Payroll and benefits	\$ 719,598	\$ 312,131	\$ 155,132	\$ 1,186,861
Audio/visual and computer rentals	293,531	-	-	293,531
Travel and meals	183,957	20,723	6,207	210,887
Banquets	157,968	-	-	157,968
Scholarships, fellowships, and awards	159,866	-	-	159,866
Other expenses	48,002	31,897	2,500	82,399
Depreciation	-	8,113	-	8,113
Copying and printing	46,316	2,104	189	48,609
Shipping and postage	15,846	5,092	-	20,938
Software and IT support	17,087	51,371	2,340	70,798
Books and merchandise	25,632	-	-	25,632
Equipment and supplies	6,668	5,336	-	12,004
Credit card service fee	-	50,986	-	50,986
Bad debt write-offs	-	27,193	-	27,193
Professional services	-	27,651	-	27,651
Insurance	-	19,669	-	19,669
Rent	-	12,000	-	12,000
<b>Total expenses</b>	<b>\$ 1,674,471</b>	<b>\$ 574,266</b>	<b>\$ 166,368</b>	<b>\$ 2,415,105</b>

  

	2018			
	Supporting Services			
	Program	General and Administrative	Fund-raising	Total
Payroll and benefits	\$ 751,592	\$ 291,828	\$ 168,359	\$ 1,211,779
Audio/visual and computer rentals	273,355	-	-	273,355
Travel and meals	155,746	18,780	6,074	180,600
Banquets	145,906	-	-	145,906
Scholarships, fellowships, and awards	109,103	-	-	109,103
Other expenses	70,843	29,154	-	99,997
Depreciation	23,977	8,285	-	32,262
Copying and printing	20,996	2,626	-	23,622
Shipping and postage	21,092	2,930	-	24,022
Software and IT support	17,533	89,307	2,340	109,180
Books and merchandise	16,857	-	-	16,857
Equipment and supplies	8,098	5,164	48	13,310
Credit card service fee	-	51,736	-	51,736
Bad debt write-offs	-	59,103	-	59,103
Professional services	-	24,886	-	24,886
Insurance	-	23,575	-	23,575
Rent	-	12,000	-	12,000
<b>Total expenses</b>	<b>\$ 1,615,098</b>	<b>\$ 619,374</b>	<b>\$ 176,821</b>	<b>\$ 2,411,293</b>

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, 2019 and 2018

	2019	2018
<b>OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	\$ 592,414	\$ (381,857)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	8,113	32,262
Realized and unrealized investment (gain) loss	(74,858)	166,577
Loss on disposal of equipment	-	585,855
Permanently restricted contributions	(3,805)	(9,562)
Reinvested endowment earnings	(36,475)	(7,295)
(Increases) decreases in operating assets and increases (decreases) in operating liabilities:		
Accounts receivable	61,164	45,350
Pledges and grants receivable	277,000	(287,000)
Prepaid expenses	438	57,163
Publications inventory	500	1,258
Accounts payable	(48,126)	69,020
Funds administered as a fiscal agent	(181,078)	383,452
Unearned revenues	(795)	(9,510)
Net cash provided by operating activities	594,492	645,713
<b>INVESTING ACTIVITIES</b>		
Capital asset additions	(3,243)	(34,679)
Purchases of investments	(707,594)	(714,794)
Sales of investments	46,680	281,971
Net change in cash sweep account	354,948	270,580
Net cash used by investing activities	(309,209)	(196,922)
<b>FINANCING ACTIVITIES</b>		
Cash collected from permanently restricted contributions	3,805	9,562
Reinvested endowment earnings	36,475	7,295
Net cash provided by financing activities	40,280	16,857
Net increase in cash and cash equivalents	325,563	465,648
Cash and cash equivalents, beginning of year	1,425,929	960,281
Cash and cash equivalents, end of year	\$ 1,751,492	\$ 1,425,929

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.

*Basis of accounting:* The accrual basis of accounting is used for IRE. Revenues are recorded when earned, and expenses are recorded when incurred. Operating revenues include donor contributions that are spendable. Operating expenses consist of various costs of operating programs initiated by IRE. Non-operating revenues and expenses include gains and losses on investments, non-spendable donor contributions, and investment income

*Financial statement presentation:* In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, IRE reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. If a donor-imposed restriction expires or the condition is met within the same reporting period in which the support was recognized, it will be reported as an increase in net assets without donor restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions. Assets without donor-imposed restrictions that are designated for specific use by IRE's Board of Directors are included in net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-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 are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. 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 has been fulfilled, or both.

*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 in excess of the amount 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. Purchases and sales of securities are recorded on a trade date basis. Realized investment gains and losses are determined on the specific identification basis. Dividends are recorded on the declaration date. Interest is recorded when earned.

Investment securities of the Foundation are exposed to various risks, such as interest rates, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position.

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

*Receivables:* IRE records an allowance for estimated uncollectible accounts when necessary. At June 30, 2019 and 2018, 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.

*Statement of Functional Expenses:* The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

*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, 2016 through 2019. 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, 2019 have been evaluated through February 5, 2020, which is the date the financial statements were available to be issued.

## 2. CASH AND INVESTMENTS

As of June 30, cash and investments consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents:		
Checking	\$ 1,168,658	\$ 884,546
Interest-bearing cash account:		
Reserve funds portion	582,459	540,908
Petty cash fund	375	475
Total cash and cash equivalents	<u>\$ 1,751,492</u>	<u>\$ 1,425,929</u>
Long-term investment portfolio:		
Cash sweep accounts	\$ 247,972	\$ 602,920
Common and preferred stocks	1,345,683	1,121,950
Corporate and municipal bonds	3,276,287	2,764,248
Total long-term investments	<u>\$ 4,869,942</u>	<u>\$ 4,489,118</u>
Long-term investment portfolio consists of:		
Investments under IRE's sole control	\$ 4,367,535	\$ 4,017,785
Investments limited as to use (FOI revolving fund - see Note 6)	502,407	471,333
	<u>\$ 4,869,942</u>	<u>\$ 4,489,118</u>

Net investment return of the Foundation for the years ended June 30 was as follows:

	<u>2019</u>	<u>2018</u>
Interest and dividends, less investment fees	\$ 186,792	\$ 160,820
Net investment gains (losses)	74,858	(166,577)
	<u>\$ 261,650</u>	<u>\$ (5,757)</u>
Operating activities	\$ 225,175	\$ (13,052)
Nonoperating activities	36,475	7,295
	<u>\$ 261,650</u>	<u>\$ (5,757)</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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles (GAAP) prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. 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 three levels of the fair value hierarchy as prescribed by GAAP are as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be 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, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation'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. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

*Common and preferred stock:* Valued at closing price reported on the active market on which the individual securities are traded.

*State and local government bonds:* Certain bonds are valued at the closing price reported in the market in which the individual security is traded. Other state and local government bonds are valued at the closing price reported in the inactive market in which the bond is traded or valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

*Corporate bonds:* Certain corporate bonds are valued at the closing price reported in the inactive market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

The table below presents IRE's assets measured at fair value on a recurring basis as of June 30, 2019 and 2018, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Total	Level 1	Level 2	Level 3
2019:				
Common and preferred stocks:				
Financial services	\$ 237,710	\$ 237,710	\$ -	\$ -
Industrial materials	182,468	182,468	-	-
Energy	255,763	255,763	-	-
Transportation	93,769	93,769	-	-
Utilities	55,823	55,823	-	-
Health care	156,288	156,288	-	-
Consumer goods	55,398	55,398	-	-
Communications	163,306	163,306	-	-
Technology	69,420	69,420	-	-
Food and Beverage	44,438	44,438	-	-
Retail services	31,300	31,300	-	-
Total common and preferred stocks	1,345,683	1,345,683	-	-
Corporate bonds	3,205,598	-	3,205,598	-
Municipal bonds	70,689	-	70,689	-
Total investments at fair value	4,621,970	\$ 1,345,683	\$ 3,276,287	\$ -
Cash sweep accounts	247,972			
Total investment portfolio	\$ 4,869,942			
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	-	-
Total common and preferred stocks	1,121,950	1,121,950	-	-
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			

#### 4. CAPITAL ASSETS

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

	2019	2018
Computers and other equipment	\$ 109,531	\$ 106,289
IRE website	15,000	15,000
Total in service, at cost	<u>124,531</u>	<u>121,289</u>
Less accumulated depreciation	<u>(109,521)</u>	<u>(101,409)</u>
Total capital assets, net of depreciation	<u><u>\$ 15,010</u></u>	<u><u>\$ 19,880</u></u>

#### 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, 2019 and 2018, are primarily from foundations and news organizations and are as follows:

	2019	2018
Due in one year or less	\$ 210,000	\$ 277,000
Due in two through five years	<u>-</u>	<u>210,000</u>
Net pledges and grants receivable	<u><u>\$ 210,000</u></u>	<u><u>\$ 487,000</u></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. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, IRE's donor restricted net assets are composed of the following:

	2019	2018
Accumulated investment earnings	\$ 664,259	\$ 484,177
Subject to purpose or time restrictions	<u>1,323,717</u>	<u>1,275,216</u>
Total subject to time or purpose restrictions	1,987,976	1,759,393
Subject to perpetual restrictions - original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	<u>3,454,757</u>	<u>3,414,477</u>
	<u><u>\$ 5,442,733</u></u>	<u><u>\$ 5,173,870</u></u>

## Donor Restricted Net Assets with Purpose and Time Restrictions

Net assets with donor restrictions related to purpose and/or time restrictions represents resources either expendable only for those purposes specified by the donor or subject to a donor's time restrictions on when they are available for expenditure.

The following describes the nature of the restrictions of the major categories of net assets with donor restriction under a purpose or time stipulation of the Foundation as of December 31 and the amounts released from those restrictions for the years ended June 30:

	<u>Purpose or Time Restricted</u>		<u>Released from Restrictions</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
John S. and James L. Knight Foundation grants:				
NFOIC Freedom of Information revolving fund	\$ 485,453	\$ 456,144	\$ -	\$ -
Conference support	45,076	11,899	-	68,101
TV grant	87,157	128,156	40,999	1,844
Workshops	273,221	100,000	237,503	250,000
Pledges (time restricted)	210,000	487,000	277,000	133,000
Scholarships, fellowships, and trainings	579,365	303,279	-	-
Bootcamps	-	2,750	11,949	-
General	116,466	83,245	-	119,136
General endowment support	191,238	186,920	-	10,000
Other	-	-	3,395	-
	<u>\$ 1,987,976</u>	<u>\$ 1,759,393</u>	<u>\$ 570,846</u>	<u>\$ 582,081</u>
Total temporarily restricted net assets				

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.

The changes in these donor restricted net assets for the years ended June 30 are as follows:

	<u>2019</u>	<u>2018</u>
Beginning of year	\$ 1,759,393	\$ 1,571,643
Contributions	576,869	800,029
Investment earnings and other	222,560	(30,198)
Releases from restrictions	<u>(570,846)</u>	<u>(582,081)</u>
End of year	<u>\$ 1,987,976</u>	<u>\$ 1,759,393</u>

## Donor Restricted Net Assets with Perpetual Restrictions and Endowments

The original gifts and any subsequent gifts from donors for which the corpus of the gift is required to be maintained into perpetuity are classified as donor restricted endowment funds, including any outstanding donor pledges of endowment contributions. In addition to permanently restricted donor gifts, IRE's endowment also contains certain other donor restricted and non-donor restricted funds, as designated by the Board. 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.

The following are the donor restricted net assets with perpetual restrictions maintained by IRE in the endowment, including any outstanding pledges of contributions that are permanently restricted:

	<u>2019</u>	<u>2018</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	\$ 887,286	\$ 850,811
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	106,352	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>976,215</u>	<u>975,410</u>
Net assets subject to donor perpetual restrictions	<u>\$ 3,454,757</u>	<u>\$ 3,414,477</u>

### *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 a permanently restricted net asset within net assets with donor restrictions (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 net assets with donor restrictions it is classified as net assets without

donor restrictions 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 equity and fixed income securities traded in public markets is used to achieve these objectives.

#### *Underwater Endowment*

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 within net assets with donor restrictions for financial reporting purposes cannot be decreased by such decreases in fair value, deficiencies of this nature are charged against net assets without donor restrictions.

During the year ended June 30, 2019, IRE had one endowment fund that was deemed underwater. This fund had an original value of \$600,000 in 2003 but was to be adjusted for yearly inflation. The current year inflation adjusted balance was \$848,780 and the current year aggregate value of the fund was \$842,000 as of June 30, 2019, resulting in the fund balance being underwater by \$6,870. As a result of the endowment fund being underwater, the minimum amount to be distributed for program and administrative costs, deemed as 3.50% per the endowment agreement, was not distributed during the year.

The following is a summary of changes in endowment funds by net asset classification for the years ended June 30, 2019 and 2018.

	Without Donor Restrictions	With Donor Restrictions		Total
		Time Restricted	Perpetual	
Endowment net assets, July 1, 2017	\$ -	\$ 573,357	\$ 3,423,495	\$ 3,996,852
Investment return (loss)	(24)	10,581	7,295	17,852
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	651,307	3,414,477	4,073,653
Investment return	1,064	214,212	36,475	251,751
Contributions				
Permanently restricted	-	-	3,805	3,805
Board designated for endowment	8,288	119,775	-	128,063
Appropriated for expenditures	-	-	-	-
Endowment net assets, June 30, 2019	\$ 17,221	\$ 985,294	\$ 3,454,757	\$ 4,457,272



The following is a summary of changes in endowments by category for the years ended June 30, 2019 and 2018:

	Long-term Investment Portfolio	Temporary Cash Funds	Total
Balance, July 1, 2017	\$ 4,019,855	\$ (23,003)	\$ 3,996,852
Contributions and change in discount	-	9,562	9,562
Board-designated endowment contributions	-	69,387	69,387
Investment return:			
Income	169,481	-	169,481
Depreciation	(151,629)	-	(151,629)
Expenditures	(20,000)	-	(20,000)
Balance, June 30, 2018	4,017,707	55,946	4,073,653
Contributions and change in discount	-	3,805	3,805
Board-designated endowment contributions	-	128,063	128,063
Investment return:			
Income	187,137	-	187,137
Appreciation	64,614	-	64,614
Investment of permanently restricted funds	98,000	(98,000)	-
Balance, June 30, 2019	<u>\$ 4,367,458</u>	<u>\$ 89,814</u>	<u>\$ 4,457,272</u>

## 8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

IRE receives significant contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, the Foundation receives support without donor restrictions, investment income without donor restrictions, and appropriated earnings from gifts with donor restrictions.

IRE considers contributions without donor restrictions for use in current programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses, fund-raising expenses, and commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during IRE's fiscal year.

IRE manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments that support mission fulfillment will continue to be met, ensuring the sustainability of IRE.

The table below presents financial assets available for general expenditures within one year at June 30, 2019:

Cash and cash equivalents	\$ 1,751,492
Investments	4,869,942
Accounts receivable	274,309
Pledges and grants receivable in one year or less	<u>210,000</u>
Financial assets at June 30, 2019	<u>7,105,743</u>
Less those unavailable for general expenditures within one year due to:	
Donor-restricted endowment fund	3,454,757
Donor-restricted for specific purpose	<u>1,777,976</u>
Total assets not available within one year	<u>5,232,733</u>
Total assets available within one year	<u><u>\$ 1,873,010</u></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, 2019 and 2018, any unexpended grant funds have been reported as contributions and are included in net assets with donor restrictions.

## 10. CHANGE IN ACCOUNTING PRINCIPLE

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-For-Profit Entities. The update addressed 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. IRE has implemented ASU 2016-14 and has adjusted the presentation of these financial statements accordingly. The ASU has been applied retrospectively to all periods presented, which has resulted in no change to net assets without donor restrictions or net assets with donor restrictions.