



**Media Research Center
Financial Statements
December 31, 2020
(With Summarized and
Comparative Financial Information
December 31, 2019)**

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Independent Auditor's Report

To the Board of Directors of
Media Research Center

Prager Metis CPAs, LLC

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We have audited the accompanying financial statements of Media Research Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Media Research Center as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized and Comparative Information

We have previously audited Media Research Center's 2019 financial statements and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized and comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
October 7, 2021

Media Research Center
Statement of Financial Position
December 31, 2020
(With Comparative Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 487,906	\$ 325,379
Accounts receivable	130,399	109,193
Pledges receivable	5,395,361	364,561
Prepaid expenses	<u>150,750</u>	<u>146,771</u>
Total current assets	6,164,416	945,904
Property and equipment – net of accumulated depreciation and amortization	103,369	172,050
Investments		
Undesignated	5,348,858	5,588,362
Designated	7,090,488	6,517,129
Deferred compensation	1,443,575	1,261,977
Endowment	2,219,262	1,928,566
Cash value of life insurance	111,193	88,821
Security deposit	<u>44,522</u>	<u>44,522</u>
Total assets	<u><u>\$ 22,525,683</u></u>	<u><u>\$ 16,547,331</u></u>

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

Media Research Center
Statement of Financial Position
December 31, 2020
(With Comparative Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable	\$ 535,828	\$ 363,591
Accrued expenses	389,919	180,940
Line of credit	1,300,000	2,000,000
Annuity payment liability – current portion	84,108	71,524
Current portion of Small Business Administration loans	1,160,490	-
Furniture loan – current portion	-	29,886
	<u>3,470,345</u>	<u>2,645,941</u>
Total current liabilities		
Other liabilities		
Annuity payment liability – net of current portion	342,705	206,098
Deferred rent	241,501	292,914
Deferred compensation liability	1,075,866	1,049,736
Furniture loan – net of current portion	-	21,242
Small Business Administration loans, net of current portion	149,607	-
	<u>5,280,024</u>	<u>4,215,931</u>
Total liabilities		
Net assets		
Net assets without donor restrictions		
Undesignated	2,540,547	3,521,144
Designated	7,090,488	6,517,129
	<u>9,631,035</u>	<u>10,038,273</u>
Net assets with donor restrictions	7,614,624	2,293,127
	<u>17,245,659</u>	<u>12,331,400</u>
Total net assets		
Total liabilities and net assets	<u><u>\$ 22,525,683</u></u>	<u><u>\$ 16,547,331</u></u>

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

Media Research Center
Statement of Activities
Year Ended December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	Summarized 2019 Total
Revenue and support				
Contributions	\$ 12,315,342	\$ 5,395,362	\$ 17,710,704	\$ 10,306,181
Change in value of split-interest agreements	(223,503)	-	(223,503)	(246,331)
Advertising income	689,670	-	689,670	604,434
Rental and other	98,885	-	98,885	129,019
Investment return, net	1,498,564	290,696	1,789,260	2,902,529
Net assets released from restrictions	364,561	(364,561)	-	-
Total revenue and support	<u>14,743,519</u>	<u>5,321,497</u>	<u>20,065,016</u>	<u>13,695,832</u>
Expenses				
Program services				
News Analysis Division	3,276,509	-	3,276,509	3,281,690
CNSNews	2,369,448	-	2,369,448	2,412,831
MRC Business	932,427	-	932,427	895,077
MRC Culture	1,660,523	-	1,660,523	1,022,352
MRC Action	1,666,580	-	1,666,580	1,678,997
MRCtv	1,417,712	-	1,417,712	1,461,669
Youth Education and Intern	249,198	-	249,198	191,448
Total program services	<u>11,572,397</u>	<u>-</u>	<u>11,572,397</u>	<u>10,944,064</u>
Support Services				
Resource development	2,578,873	-	2,578,873	2,465,257
General and administrative	999,487	-	999,487	900,256
Total support services	<u>3,578,360</u>	<u>-</u>	<u>3,578,360</u>	<u>3,365,513</u>
Total expenses	<u>15,150,757</u>	<u>-</u>	<u>15,150,757</u>	<u>14,309,577</u>
Change in net assets	(407,238)	5,321,497	4,914,259	(613,745)
Net assets, at beginning of year	<u>10,038,273</u>	<u>2,293,127</u>	<u>12,331,400</u>	<u>12,945,145</u>
Net assets, at end of year	<u>\$ 9,631,035</u>	<u>\$ 7,614,624</u>	<u>\$ 17,245,659</u>	<u>\$ 12,331,400</u>

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

Media Research Center
Statement of Functional Expenses
Year Ended December 31, 2020
(With Summarized Financial Information as of December 31, 2019)

	Total 2020	Program Services							Supporting Services		Total (Summarized) 2019
		News Analysis Division	CNSNews	MRC Business	MRC Culture	MRC Action	MRCtv	Youth Education and Intern Program	Resource Development	General and Administrative	
Salaries/benefits	\$ 7,526,984	\$ 1,821,847	\$ 1,402,285	\$ 428,158	\$ 799,150	\$ 903,235	\$ 781,932	\$ 177,118	\$ 732,748	\$ 480,511	\$ 7,157,368
Legal	38,273	-	-	-	-	-	-	-	-	38,273	48,449
Insurance	99,294	22,511	12,803	12,682	16,244	12,217	11,040	4,965	2,860	3,972	96,677
Real estate tax	27,095	6,143	3,494	3,460	4,432	3,334	3,013	1,355	780	1,084	29,070
Property tax	15,079	3,419	1,944	1,926	2,467	1,855	1,677	754	434	603	16,811
Interest	44,102	9,999	5,687	5,633	7,215	5,426	4,903	2,205	1,270	1,764	63,186
Registrations/fees	7,531	-	-	-	-	-	-	-	-	7,531	8,888
Printing	538,249	38,996	30,089	11,999	19,735	17,560	19,247	2,977	389,506	8,142	638,927
Postage	758,075	52,287	38,909	14,879	26,499	25,498	22,625	3,978	571,808	1,592	771,068
Mailing services	514,414	34,970	26,023	9,951	17,723	17,053	15,132	2,660	390,901	-	400,397
Meetings	135,136	25,980	22,677	25,980	25,980	-	25,980	-	3,302	5,237	344,543
List rental	123,918	9,473	7,049	2,696	4,801	4,620	4,099	721	90,460	-	125,558
Data processing	58,131	4,444	3,307	1,265	2,252	2,167	1,923	338	42,436	-	65,630
Creative fee	242,950	18,572	13,821	5,285	9,412	9,057	8,036	1,413	177,353	-	209,877
Caging	15,751	-	-	-	-	-	-	-	-	15,751	14,885
Acquisition	9,053	-	-	-	-	9,053	-	-	-	-	-
Messaging	235	-	211	-	-	-	-	-	24	-	330
Travel/meals	175,424	27,013	20,624	7,649	13,202	12,658	15,317	5,527	27,529	45,905	212,687
Occupancy	143,154	32,056	19,418	18,537	22,503	13,847	17,348	5,628	3,242	10,575	146,456
Rent	602,912	136,691	77,740	77,005	98,634	74,180	67,036	30,146	17,364	24,116	596,159
Telephone	19,523	1,567	1,863	776	-	-	-	-	2,966	12,351	18,399
Office supplies	34,577	4,634	2,782	2,348	3,305	2,468	5,866	829	1,411	10,934	32,330
Equipment rental	22,863	5,212	2,964	2,936	3,761	2,828	2,432	1,149	662	919	24,071
Equipment maintenance	5,502	1,215	691	684	877	659	596	268	154	358	9,015
Delivery/courier	14,338	581	432	165	294	283	251	214	7,028	5,088	14,662
Computer services	98,677	21,562	14,984	13,841	15,636	10,980	14,019	2,373	1,822	3,460	102,673
Subscriptions	23,957	15,559	4,639	3,102	-	-	350	-	288	19	29,580
Outside services	381,640	-	4,692	-	-	206,093	-	350	61,067	109,438	523,383
Accounting services	96,444	-	-	-	-	-	-	-	-	96,444	80,329
Consultants	869,909	266,241	233,683	51,403	195,397	29,833	44,330	-	49,022	-	818,301
Website	497,790	245,697	58,060	48,508	48,508	38,957	58,060	-	-	-	440,086
Reference	63,048	26,328	12,240	12,240	12,240	-	-	-	-	-	61,813
Advertising/Marketing	1,718,012	411,320	335,408	149,131	286,749	252,310	283,094	-	-	-	955,166
Contributions	22,364	-	-	-	-	-	-	-	-	22,364	29,989
Bank fees	74,578	-	-	-	-	-	-	-	-	74,578	68,283
Press releases	32,077	13,010	20	9,382	9,665	-	-	-	-	-	42,371
Depreciation and amortization	84,604	19,181	10,909	10,806	13,841	10,409	9,407	4,230	2,437	3,384	96,589
Storage	15,094	-	-	-	-	-	-	-	-	15,094	14,601
Training/Education	-	-	-	-	-	-	-	-	-	-	970
	<u>\$ 15,150,757</u>	<u>\$ 3,276,509</u>	<u>\$ 2,369,448</u>	<u>\$ 932,427</u>	<u>\$ 1,660,523</u>	<u>\$ 1,666,580</u>	<u>\$ 1,417,712</u>	<u>\$ 249,198</u>	<u>\$ 2,578,873</u>	<u>\$ 999,487</u>	<u>\$ 14,309,577</u>

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

Media Research Center
Statement of Cash Flows
Year Ended December 31, 2020
(With Comparative Financial Information as of December 31, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 4,914,259	\$ (613,745)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	84,604	96,589
Realized and unrealized gain on investments	(1,658,398)	(2,705,809)
Change in value of split interest agreement	223,503	246,331
Cash value of life insurance	(22,372)	(21,983)
Deferred rent	(51,413)	(36,057)
Increase (decrease) in assets		
Accounts receivable	(21,206)	61,476
Pledges receivable	(5,030,800)	673,669
Prepaid expenses	(3,979)	(26,918)
Decrease (increase) in liabilities		
Accounts payable	172,237	175,199
Accrued expenses	208,979	21,030
Obligation under deferred compensation plan	26,130	25,481
Net cash used in operating activities	<u>(1,158,456)</u>	<u>(2,104,737)</u>
Cash flows from investing activities		
Purchase of property and equipment	(15,923)	(10,660)
Purchase of investments	(6,807,540)	(10,571,597)
Sales and maturities of investments	7,659,789	11,622,912
Net cash provided by investing activities	<u>836,326</u>	<u>1,040,655</u>
Cash flows from financing activities		
Annuity payments	(74,312)	(72,322)
Proceeds from line of credit	800,000	2,000,000
Payments on line of credit	(1,500,000)	(1,000,000)
Payments on furniture loan	(51,128)	(28,043)
Proceeds from Small Business Administration loans	1,310,097	-
Net cash provided by financing activities	<u>484,657</u>	<u>899,635</u>
Net increase (decrease) in cash and cash equivalents	162,527	(164,447)
Cash and cash equivalents, beginning of year	<u>325,379</u>	<u>489,826</u>
Cash and cash equivalents, end of year	<u>\$ 487,906</u>	<u>\$ 325,379</u>
Supplemental disclosure of cash flow information		
Cash paid for interest expense	<u>\$ 44,102</u>	<u>\$ 63,186</u>

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

Note 1 Nature of Operations

Media Research Center (the “Center”) is a not-for-profit corporation formed to provide research and education on biases in the media. Its mission “to create a media culture in America where truth and liberty flourish” is accomplished through the publication of its research and analyses. Developing special reports, special projects, newsletters and press releases, the Center distributes its findings through the publication of Notable Quotables, Media Reality Check, “Cyber-Alerts,” “E-Briefs,” “Balance Sheet,” “Culture Links,” “MRC Action Alerts,” and The Watchdog (formerly Flash). These publications are targeted to reporters, editors, publishers, producers, directors, talk radio hosts, political leaders, subscribers, members and donors.

The Center operates seven program divisions including the News Analysis Division, CNS News, MRC Business, MRC Culture, MRC Action, MRCTv, and Youth Education and Intern Program. In conjunction with these programs, the Center maintains seven Internet web sites for the dissemination of its research and publications:

www.MRC.org, www.CNSNews.com, www.NewsBusters.org, www.NewsBusters.org/business, www.NewsBusters.org/culture, www.MRC.org/action, and www.MRCTv.org.

The Center receives revenue primarily through contributions from the general public and direct mail solicitations.

Note 2 Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the accounting principles generally accepted in the United States of America (“GAAP”).

Financial Statement Presentation

The financial statement presentation is in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. Net assets, revenue, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions could be subject to board designations.

Net Assets with Donor Restrictions – Net assets subject to donor-imposed stipulations that will be met either by actions of the Center and/or the passage of time or net assets subject to donor-imposed stipulations that they be maintained permanently by the Center.

Note 2 Summary of Significant Accounting Policies (continued)

The financial statements include certain prior-year summarized and comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2019, from which the summarized information was derived.

Contributions

The Center reports gifts of cash and other assets as with donor-restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, 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 restriction. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions. Conditional promises to give are not recorded as contribution revenue until donor conditions have been met.

Advertising Income

In May 2014, FASB issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606), which provides a comprehensive new revenue recognition model and requires additional disclosure regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The Center adopted Topic 606 effective January 1, 2020. Management has analyzed the provisions of Topic 606 and has concluded that no changes are necessary to conform with the new standard. The Center adopted the standard using the modified retrospective approach and has expanded the financial statement disclosures.

Advertising income is based on clicks of internet links and the Center recognizes advertising income in the period in which the link is clicked and the revenue is earned. Receivables at December 31, 2020 and 2019 totaled \$70,322 and \$47,351, respectively.

Uses of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets 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 reporting period. Actual results could differ from those estimates.

Investments

Investments are reported at fair value based on quoted market prices. Investment returns are reported as increases or decreases in net assets with donor restrictions, unless the income or loss is restricted by donor or law. Investment return that is limited to specific uses by donor restrictions is reported as increases in net assets without donor restriction if the restrictions are met in the same reporting period. Interest income is reported on the accrual basis and dividend income is reported on the ex-dividend date.

Note 2 Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost, if purchased, and at fair value at the date of donation, if donated. Depreciation is computed using the straight-line method over estimated useful lives of two to ten years for equipment and furniture. Leasehold improvements are amortized on the shorter of the lease term or useful life of the improvement. Website and software are amortized using the straight-line method over their estimated useful life of two to three years. The Center capitalizes all property and equipment with a cost of at least \$1,000 and a useful life greater than one year. Repairs and maintenance are expensed as incurred.

Intangible Assets

The Center maintains a mailing list of approximately 300,000 subscribers, contributors and others. Because the list could be sold or rented in the future to compatible organizations, management estimates it has an intangible value of approximately \$300,000.

In addition, the Center has developed a video archive consisting of televised news broadcasts dating from October 1987, along with a computerized database referencing the entire collection. Management estimates total production costs of the archive and database to be approximately \$1,400,000.

Because recoverable costs and useful lives of the above assets are not reasonably estimable, management elected to expense all costs as incurred to acquire or develop these intangible assets. Accordingly, they have not been recognized as assets in the statement of financial position.

Allocation of Expenses

The costs of providing the various programs and support activities of the Center are allocated based upon the functions they directly benefit or upon management's estimates of the proportion of these costs applicable to each function. The expenses are allocated on a reasonable basis and consistently applied. The expenses that are allocated are salaries and benefits, payroll taxes, insurance, taxes, interest, rent, occupancy, general office expenses and supplies and depreciation, which are allocated based on allocations of time and effort. Printing, postage, mailing services, list rentals, data processing and creative fees are allocated based on a direct line count method of allocating joint costs.

Functional Expenses

The costs of providing various program services have been summarized on a functional basis of functional expenses. The program and supporting services are as follows:

News Analysis Division – Brings political balance to the nation's news media by documenting and countering liberal bias from television network news shows and major print publications.

CNSNews – Provides an alternative news source that would cover stories that are subject to a liberal bias in many news outlets.

Note 2 Summary of Significant Accounting Policies (continued)

MRC Business – Brings balance to economic reporting and promotes fair portrayal of the business community in the media by auditing the media’s coverage of the free enterprise system.

MRC Culture – Promotes fair portrayal of cultural and social issues in the media.

MRC Action – Educating and mobilizing the general public against runaway liberal media bias.

MRCtv – An online media platform designed to broadcast conservative values, culture, politics, liberal media bias, and entertainment to a new and diverse audience on a social media optimized sight.

Youth Education and Intern Program – Mentors America’s youth and educates and trains students to recognize bias and the need for balanced journalism.

Resource Development – All expenses incurred for the purpose of raising funds.

General and Administrative – All other expenses incurred by the Center in the accomplishment of its tax-exempt purposes.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits, money market accounts, and certificates of deposit with original maturities of three months or less. Cash and cash equivalents exclude similar amounts included with investments as those funds are intended for investment purposes.

Accounts Receivables

Accounts receivables are stated at net realizable value. The Center does not require collateral and no interest is charged on outstanding receivables. Management periodically reviews accounts and other receivables to determine if any write-offs are necessary. An account is considered uncollectible if it is considered by management to be uncollectible. At December 31, 2020, there were no accounts receivables that were more than ninety days past due and there were no accounts and other receivables considered uncollectible.

Pledges Receivable

Unconditional promises to give are expected to be realized in one year or less. Management periodically reviews the collectability of pledges receivable. Management determines the allowance for doubtful pledges by using the historical experience applied to an aging of pledges. Pledges are written off when considered uncollectible. At December 31, 2020, all pledges were considered fully collectible.

Advertising and Marketing Expenses

The Center expenses advertising and promotion costs as incurred. Advertising and marketing costs incurred during the year ended December 31, 2020 were \$1,718,012.

Note 2 Summary of Significant Accounting Policies (continued)

Tax Status

The Center is a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for Federal or State of Virginia taxes is required. The Center's information returns are subject to review by the Internal Revenue Service and the State of Virginia three years after they are filed. Management has evaluated the Center's tax positions and has concluded that the Center has taken no uncertain tax positions that require adjustment to the financial statements.

Note 3 Self-Insurance

Beginning May 2014, the Center's insurance programs for employee-related health care benefits are effectively self-insured for which employees have up to one year after the date of service to file the claim. Accruals for self-insurance payables are based on claims filed and estimates of claims incurred but not yet reported plus development on reported claims. The Center considers past claims experience, including both frequency and settlement amount of claims, in determining these estimates. These estimates are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, insurance industry practices, the regulatory environment, and legal precedent. If a loss exceeds \$35,000 for an individual, the Center will recover the excess costs under a stop-loss insurance plan. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in the statement of activities in the periods in which such adjustments are known. In general, self-insurance payables are recorded on an undiscounted basis. As of December 31, 2020, the liability for unpaid claims and claims incurred but not reported were \$32,695 which is included in accrued expenses on the statement of financial position.

Note 4 Concentrations and Financial Risks

The Center maintains cash accounts with federally insured financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per bank. Cash balances exceeded the FDIC limits at various times during the year. Management does not believe that this practice results in any significant credit risk.

The Center invests in professionally managed portfolios that contain securities that are exposed to various risks such as interest rates, market and credit. Due to the level of risk associated with investments, and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term would materially affect investment balances and the amounts reported in the financial statements.

The Center's money market and securities investments are held at brokerage firms that are members of Securities Investor Protection Corporation (SIPC). At times, the Center may have funds exceed the SIPC limits. The Center has not experienced any such losses.

Approximately 34% of contribution revenue and 30% of total revenue is from one donor.

Note 5 Investments

Investments are carried at fair value based on quoted market prices and consist of the following at December 31, 2020:

Money market funds	\$ 2,043,788
Mutual funds	5,779
Fixed income	2,743,915
Equities	11,165,781
Real estate investment trusts	<u>142,920</u>
	<u>\$ 16,102,183</u>

Investment return, net is comprised of the following as of December 31, 2020:

Interest and dividends	\$ 248,371
Net realized gain	1,083,000
Net unrealized gain	<u>575,398</u>
Investment gain before investment fees	1,906,769
Investment management fees	<u>(117,509)</u>
Investment return, net	<u>\$ 1,789,260</u>

It is the intent of the Board and management to set aside sufficient reserves to be able to meet the future financial obligations of current research and operations with which the Center is involved in the event of a downturn in contributions.

Note 6 Property and Equipment

Property and equipment at December 31, 2020 consists of the following:

Leasehold improvements	\$ 340,813
Office equipment	2,657,063
Office furniture	<u>259,130</u>
Total	3,257,006
Less: accumulated depreciation and amortization	<u>(3,153,637)</u>
Total property and equipment, net	<u>\$ 103,369</u>

Note 7 Line of Credit

On August 10, 2019, the Center entered into a revolving line of credit in the amount of \$2,000,000 with an expiration date of August 10, 2020. The interest rate is subject to change from time to time based on changes in the Wall Street Journal Prime Index, not to drop below 3.75%. During 2020, the line of credit was renewed with a new expiration date of November 10, 2021. All other terms and conditions remained the same. At December 31, 2020, the interest rate was 3.75%.

The loan is secured by all inventory, accounts, chattel, instruments, letter of credit rights, letters of credit, documents, deposit accounts, investments, money, rights to payments/performance, general intangibles and all insurance refunds, goodwill, records and data, including the software, equipment and inventory to process, utilize, create and maintain such records and data on electronic media, and all supporting obligations relating to the foregoing property.

Under the agreement, the Center is required to maintain minimum net assets of \$10,000,000 and minimum current assets plus unrestricted investments of \$3,000,000. At December 31, 2020, the outstanding balance on the line of credit was \$1,300,000.

For the year ended December 31, 2020, interest expense incurred on the line of credit was \$41,330.

Note 8 Loan Payable

On August 8, 2017, the Center entered into a loan with a maturity date of August 10, 2021 for \$115,000.

The loan was secured by all inventory, accounts, chattel, instruments, letter of credit rights, letters of credit, documents, deposit accounts, investments, money, rights to payments/performance, general intangibles and all insurance refunds, goodwill, records and data, including the software, equipment and inventory to process, utilize, create and maintain such records and data on electronic media, and all supporting obligations relating to the foregoing property.

The loan was paid in full during the year ended December 31, 2020.

Note 9 Charitable Gift Annuities

The Center enters into agreements to administer various charitable gift annuities. The charitable annuity agreements provide for the payment of distributions to the grantor or other designated beneficiaries over the designated beneficiary's lifetime.

Note 9 Charitable Gift Annuities (continued)

An annuity payment liability has been recognized for the present value of future cash flows expected to be paid to the beneficiaries based on actuarial assumptions. At December 31, 2020, that amount, including current portion of \$84,108, and long-term portion of \$342,705, totaled \$426,813.

The annuity payment liability is reduced for distributions to the grantor or other beneficiaries and valued at present value based on the life expectancy of the beneficiary and the expected rate of return on investments.

Note 10 Costs of Activities that Include Fundraising

For the year ended December 31, 2020, the Center incurred joint costs of \$2,029,437 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$547,948 was allocated to program services and \$1,481,489 was allocated to resource development (fundraising).

Note 11 Retirement Plan

The Center sponsors a Section 403(b) retirement and salary reduction plan for the benefit of its employees. The Center will make a matching contribution up to 3% for eligible participants. Pension expense, included as a component of salaries and benefits on the statement of functional expenses, totaled \$134,840 for the year ended December 31, 2020.

During 2015 and 2016, the Center adopted nonqualified deferred compensation plans covering two key employees. There are no employee contributions allowed under the plans. The plans are funded with insurance contracts owned by the Center. At December 31, 2020, the value of the contracts totaled \$111,193, and the deferred compensation liability totaled \$175,866.

On May 1, 2011, the Center established an unfunded deferred compensation plan to provide deferred compensation to its executive talent. Eligible participants may make an election to defer the receipt of a portion of their gross compensation to be deferred before the beginning of the period of service for which the compensation is payable. All contributions will remain as assets of the Center until the value of the account is distributed to the participant or the participants' beneficiaries. At December 31, 2020, the value of the plan investments totaled \$1,443,575 and the deferred compensation liability totaled \$900,000.

At December 31, 2020, total deferred compensation liability as shown on the statement of financial position was \$1,075,866.

Note 12 Operating Lease

On October 1, 2012, the Center entered into a 10-year and 6-month lease for office space. The lease commenced in June 2013 and required a security deposit of \$44,522 upon signing of the lease. The annual base rent is subject to an escalation clause of two and one-half percent (2.5%) per year. Rent expense under the lease was \$602,912 for the year ended December 31, 2020.

As of December 31, 2020, the future minimum rental payments for this operating lease are as follows:

Years Ending December 31,	Amount
2021	\$ 644,362
2022	660,525
2023	620,085
	<u>\$ 1,924,972</u>

Note 13 Noncash Transaction

In 2020, the Center received noncash stock contributions in the amount of \$507,066 which is included in contribution revenue in the statement of activities.

Note 14 Liquidity

The following reflects the Center's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of donor-imposed restrictions within one year of the statement of financial position date. Amounts not available include amounts set aside for long-term investing in the board designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from either the donor-restricted endowment or board designated endowment for general expenditure within one year of the statement of financial position date have not been subtracted as unavailable.

Financial assets at year end	\$ 22,115,849
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(7,614,624)
Board designations:	
Designated-endowment fund, primarily for long-term investing	<u>(7,090,488)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 7,410,737</u>

Note 14 Liquidity (continued)

The Center is substantially supported by contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Center must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Center's liquidity, management has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In the event of an unanticipated liquidity need, the Center could draw upon the board designated endowment.

Note 15 Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

Restricted for future periods:

Restricted for any activities of the Center in future periods	\$ 400,552
Restricted for public education and research	3,995,848
Restricted for nonprofit journalism and education	998,962
	<u>5,395,362</u>

Subject to Center's spending policy and appropriations

Investment in perpetuity (including amounts above the original gift amount of \$1,600,000) which, once appropriated, is expendable to support:

Reporter position	2,219,262
	<u><u>\$ 7,614,624</u></u>

Note 16 Endowment Funds

The Center's Board of Directors has established a board designated endowment fund. The earnings of this fund are available for the general support of the Center. There is no legal endowment or restriction since the original donors did not specifically stipulate contributions to be treated as such.

The Center has a permanently restricted reporter endowment. This fund supports the hiring, training and furnishing the compensation and benefits for a full-time reporter position dedicated to investigating and reporting news with the purpose of counteracting the liberal bias within the national media by providing balanced and objective coverage.

Note 16 Endowment Funds (continued)

Original donor restricted gift amount
required to be maintained in
perpetuity by donor \$ 1,600,000

Accumulated investment gains on
endowment funds:
With purpose restriction 619,262
\$ 2,219,262

Changes in endowment net assets for the year ended December 31, 2020 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2020	<u>\$ 6,517,129</u>	<u>\$ 1,928,566</u>	<u>\$ 8,445,695</u>
Investment return:			
Investment income, net of fees	25,031	9,027	34,058
Net realized and unrealized gain	<u>836,577</u>	<u>281,669</u>	<u>1,118,246</u>
Total investment return	<u>861,608</u>	<u>290,696</u>	<u>1,152,304</u>
Contributions	<u>2,311,203</u>	<u>-</u>	<u>2,311,203</u>
Transfers to undesignated net assets	<u>(2,599,452)</u>	<u>-</u>	<u>(2,599,452)</u>
Endowment net assets, December 31, 2020	<u>\$ 7,090,488</u>	<u>\$ 2,219,262</u>	<u>\$ 9,309,750</u>

Endowment composition by type as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	\$ 7,090,488	\$ -	\$ 7,090,488
Reporter endowment fund	<u>-</u>	<u>2,219,262</u>	<u>2,219,262</u>
Total endowment funds	<u>\$ 7,090,488</u>	<u>\$ 2,219,262</u>	<u>\$ 9,309,750</u>

Note 16 Endowment Funds (continued)

Interpretation of Relevant Law – The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is a model act approved by the Uniform Law Commission (ULC, formerly known as the National Conference of Commissioners on Uniform State Laws) that serves as a guideline for states to use in enacting legislation. The accounting standard issued in response to the act improves disclosures about an organization’s endowment funds (both donor-restricted endowment funds and board designated endowment funds), whether or not the organization is subject to UPMIFA.

Return Objective and Risk Parameters – The Center’s objective is to earn a respectable, long-term, risk-adjusted total rate of return to support the designated programs. The Center recognizes and accepts that pursuing a respectable rate of return involves risk and potential volatility. The generation of current income is a secondary consideration. The Center targets a diversified asset allocation that places a greater emphasis on equity security investments to achieve its long-term return objectives within prudent risk constraints. The Center has established a policy portfolio, of normal asset allocation. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-term horizons based upon long-term expected returns. The Center has a preference for simple investment structures, which will have lower cost, easier oversight, and less complexity for internal financial management and auditing. The Center is required to segregate the funds of the Reporter Endowment Fund from its other assets as institutional funds with the goal of optimizing yield and maintaining the spending power of the Reporter Endowment Fund.

Spending Policy – The funds of the Board Designated Endowment fund may be spent at the discretion of the Center’s Board of Directors and any expenditures must remain in compliance with IRS guidelines.

The Center may disburse from the Reporter Endowment Fund, an amount no greater than a) the annual net income earned from the Endowment assets over the immediately preceding fiscal year (not to include realized or unrealized asset appreciation) or b) five percent (5%) of the average value of the Reporter Endowment Fund assets as of the end of each of the twelve (12) fiscal or calendar year quarters immediately preceding the year to which it is to apply.

Note 17 Income Taxes

During the year ended December 31, 2020, the Center received unrelated business income of \$689,670, with no net income after accounting for the costs connected with the activity. As a result, there were no taxes on the unrelated business income for the year ended December 31, 2020.

As of December 31, 2020, the Center has a loss carryforward totaling \$1,553,708 that may be offset against future taxable income. If not used, the loss carryforward will begin to expire in 2029.

Note 18 Fair Value Measurements

The Center measures fair value in accordance with FASB ASC 820. FASB ASC 820 requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Unadjusted quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Center performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. There were no Level 3 inputs for any assets held by the Center at December 31, 2020.

The following table presents the balances of assets and liabilities measured at fair value on a recurring basis by level within the hierarchy for the year ended December 31, 2020.

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets				
Money market fund	\$ 2,043,788	\$ 2,043,788	\$ -	\$ -
Domestic equities	9,582,127	9,582,127	-	-
International equities	1,583,654	1,583,654	-	-
	<u>11,165,781</u>	<u>11,165,781</u>	<u>-</u>	<u>-</u>
Fixed income:				
Government bonds	960,877	-	960,877	-
Corporate bonds	1,783,038	-	1,783,038	-
	<u>2,743,915</u>	<u>-</u>	<u>2,743,915</u>	<u>-</u>
Mutual funds	5,779	5,779	-	-
Real estate investment trusts	<u>142,920</u>	<u>142,920</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,102,183</u>	<u>\$ 13,358,268</u>	<u>\$ 2,743,915</u>	<u>\$ -</u>
Liabilities				
Charitable gift annuities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,813</u>

Note 18 Fair Value Measurements (continued)

The Center holds various investments, which are publicly traded on the stock exchange and are considered Level 1 investments. Bonds are considered level 2 investments as they are valued at the present value of the bond's coupon interest rate plus the present value of the face value payment at maturity discounted at the market's required rate of return, which are considered observable market rate inputs. Charitable gift annuity liabilities are considered a Level 3 measurement and are valued as described in Note 9. For the year ended December 31, 2020, the application of the valuation techniques applied to similar assets has been consistent.

Changes in Level 3 charitable gift annuities is as follows:

Beginning balance	\$ 277,622
Cash payments on annuities	(74,312)
Change in value of split interest	<u>223,503</u>
Ending balance	<u><u>\$ 426,813</u></u>

Note 19 Small Business Administration Loans

In 2020, the Center obtained two loans totaling \$1,310,097 pursuant to the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"). The Center obtained a loan of \$1,160,197 under the Paycheck Protection Program ("PPP"), administered by the Small Business Administration, which provides for loans to qualifying businesses for up to 2.5 times the average monthly payroll expenses of the qualifying business. Under the terms of the PPP, the Small Business Administration will forgive certain amounts of the loan if they are used for qualifying expenses as described in the CARES Act. The unforgiven portion of the loan is payable over 2 years at an interest rate of 1%, with a deferral of payments for the first six months.

The Center obtained a loan of \$149,900 under the Economic Injury Disaster Loan program (EIDL) from the Small Business Administration. The loan is secured by all tangible and intangible assets of the Center and is payable over 30 years at an interest rate of 2.75% per annum. Installment payments of \$645, including principal and interest will begin November 2021.

The Center has recognized the loans as liabilities on the accompanying statement of financial position.

Note 19 Small Business Administration Loans (continued)

Principal payments on the EIDL are due as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2021	\$ 293
2022	3,512
2023	3,611
2024	3,701
2025	3,817
Thereafter	134,966
	<u>\$ 149,900</u>

Note 20 Reclassifications

Certain amounts relating to the prior year have been reclassified to conform to the current year's presentation. These reclassifications had no effect on the previously reported change in net assets.

Note 21 Subsequent Events

Management has evaluated subsequent events through October 7, 2021 when the financial statements were available to be issued.