



**Media Research Center
Financial Statements
December 31, 2021
(With Summarized
Comparative Information
December 31, 2020)**

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Independent Auditor's Report

To the Board of Directors of
Media Research Center

Opinion

We have audited the accompanying financial statements of Media Research Center (the "Center") (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited the Center's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 7, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
November 15, 2022

Media Research Center
Statement of Financial Position
December 31, 2021
(With Summarized Comparative Information as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 409,111	\$ 487,906
Accounts receivable	76,822	130,399
Pledges receivable	2,377,899	5,395,361
Prepaid expenses	<u>179,518</u>	<u>150,750</u>
Total current assets	3,043,350	6,164,416
Property and equipment – net of accumulated depreciation and amortization	298,118	103,369
Investments		
Undesignated	6,310,507	5,348,858
Designated	5,563,677	7,090,488
Deferred compensation	1,707,812	1,443,575
Endowment	2,490,250	2,219,262
Cash value of life insurance	141,737	111,193
Security deposit	<u>44,522</u>	<u>44,522</u>
Total assets	<u>\$ 19,599,973</u>	<u>\$ 22,525,683</u>

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

Media Research Center
Statement of Financial Position (Continued)
December 31, 2021
(With Summarized Comparative Information as of December 31, 2020)

Liabilities and net assets

Liabilities

Current liabilities

Accounts payable	\$ 503,844	\$ 535,828
Accrued expenses	479,941	389,919
Line of credit	1,715,571	1,300,000
Annuity payment liability – current portion	86,078	84,108
Current portion of Small Business Administration loans	<u>3,512</u>	<u>1,160,490</u>

Total current liabilities	2,788,946	3,470,345
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Other liabilities

Annuity payment liability – net of current portion	342,099	342,705
Deferred rent	174,329	241,501
Deferred compensation liability	1,166,011	1,075,866
Small Business Administration loans, net of current portion	<u>145,106</u>	<u>149,607</u>

Total liabilities	<u>4,616,491</u>	<u>5,280,024</u>
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Net assets

Net assets without donor restrictions

Undesignated	4,468,644	2,540,547
Designated	<u>5,563,677</u>	<u>7,090,488</u>
	10,032,321	9,631,035

Net assets with donor restrictions	<u>4,951,161</u>	<u>7,614,624</u>
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Total net assets	<u>14,983,482</u>	<u>17,245,659</u>
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Total liabilities and net assets	<u>\$ 19,599,973</u>	<u>\$ 22,525,683</u>
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The accompanying notes are an integral part of these financial statements.

Media Research Center
Statement of Activities
Year Ended December 31, 2021
(With Summarized Comparative Information as of December 31, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	Summarized 2020 Total
Revenue and support				
Contributions	\$ 9,618,800	\$ 383,089	\$ 10,001,889	\$ 17,710,704
Change in value of split-interest agreements	(104,196)	-	(104,196)	(223,503)
Paycheck Protection Program loan forgiveness	1,160,197	-	1,160,197	-
Advertising income	537,078	-	537,078	689,670
Rental and other	95,988	-	95,988	98,885
Investment return, net	2,325,179	353,999	2,679,178	1,789,260
Net assets released from restrictions	3,400,551	(3,400,551)	-	-
Total revenue and support	<u>17,033,597</u>	<u>(2,663,463)</u>	<u>14,370,134</u>	<u>20,065,016</u>
Expenses				
Program services				
News Analysis Division	3,549,396	-	3,549,396	3,276,509
CNSNews	2,494,775	-	2,494,775	2,369,448
MRC Business	935,908	-	935,908	932,427
Free Speech America	2,444,285	-	2,444,285	1,660,523
MRC Action	2,221,382	-	2,221,382	1,666,580
MRCtv	1,506,738	-	1,506,738	1,417,712
Youth Education and Intern	280,906	-	280,906	249,198
Total program services	<u>13,433,390</u>	<u>-</u>	<u>13,433,390</u>	<u>11,572,397</u>
Support Services				
Resource development	2,233,457	-	2,233,457	2,578,873
General and administrative	965,464	-	965,464	999,487
Total support services	<u>3,198,921</u>	<u>-</u>	<u>3,198,921</u>	<u>3,578,360</u>
Total expenses	<u>16,632,311</u>	<u>-</u>	<u>16,632,311</u>	<u>15,150,757</u>
Change in net assets	401,286	(2,663,463)	(2,262,177)	4,914,259
Net assets, at beginning of year	<u>9,631,035</u>	<u>7,614,624</u>	<u>17,245,659</u>	<u>12,331,400</u>
Net assets, at end of year	<u>\$ 10,032,321</u>	<u>\$ 4,951,161</u>	<u>\$ 14,983,482</u>	<u>\$ 17,245,659</u>

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

Media Research Center
Statement of Functional Expenses
Year Ended December 31, 2021
(With Summarized Comparative Information as of December 31, 2020)

	Total 2021	Program Services							Supporting Services		Total (Summarized) 2020
		News Analysis Division	CNSNews	MRC Business	Free Speech America	MRC Action	MRCtv	Youth Education and Intern Program	Resource Development	General and Administrative	
Salaries/benefits	\$ 8,498,495	\$ 2,067,103	\$ 1,528,285	\$ 494,954	\$ 1,231,522	\$ 1,230,271	\$ 920,655	\$ 211,565	\$ 290,610	\$ 523,530	\$ 7,526,984
Legal	36,744	-	-	-	-	-	-	-	-	36,744	38,273
Insurance	105,655	24,194	20,090	7,140	14,799	16,702	13,953	4,194	629	3,954	99,294
Real estate tax	32,201	7,431	6,170	2,193	4,545	5,130	4,285	1,288	193	966	27,095
Property tax	12,822	3,044	1,740	896	2,312	1,874	1,853	513	94	496	15,079
Interest	59,175	13,655	11,339	4,030	8,352	9,427	7,875	2,367	355	1,775	44,102
Registrations/fees	8,439	-	-	-	-	-	-	-	-	8,439	7,531
Printing	655,753	57,858	39,841	15,755	50,620	30,338	25,077	4,609	427,907	3,748	538,249
Postage	938,888	70,651	50,904	18,630	48,656	66,373	29,991	5,591	646,179	1,913	758,075
Mailing services	417,835	21,673	15,616	5,715	14,926	13,183	9,200	1,715	335,807	-	514,414
Meetings	81,118	20,755	10,377	6,918	20,755	-	10,377	-	-	11,936	135,136
List rental	152,101	11,306	8,146	2,981	7,786	6,877	4,799	895	109,311	-	123,918
Data processing	86,916	6,816	4,911	1,797	4,694	4,146	2,894	539	61,119	-	58,131
Creative fee	350,276	27,446	19,775	7,237	18,901	16,694	11,651	2,172	246,400	-	242,950
Caging	19,198	-	-	-	-	-	-	-	-	19,198	15,751
Acquisition	-	-	-	-	-	-	-	-	-	-	9,053
Messaging	13,048	-	48	-	-	13,000	-	-	-	-	235
Travel/meals	269,180	54,358	35,291	12,663	31,661	28,899	28,086	6,760	8,166	63,296	175,424
Occupancy	147,936	31,886	25,292	9,393	20,132	21,649	18,506	5,498	849	14,731	143,154
Rent	604,066	139,391	115,748	41,139	85,262	96,229	80,388	24,163	3,624	18,122	602,912
Telephone	19,533	1,097	2,707	100	450	-	-	-	4,760	10,419	19,523
Office supplies	42,305	8,861	4,971	1,695	3,598	4,244	4,599	1,728	233	12,376	34,577
Equipment rental	24,749	5,696	4,730	1,681	3,484	3,932	3,285	987	148	806	22,863
Equipment maintenance	6,747	1,501	1,264	449	911	1,051	858	264	40	409	5,502
Delivery/courier	13,810	704	508	186	485	428	299	56	6,548	4,596	14,338
Computer services	133,253	30,414	23,685	17,826	21,785	13,077	22,601	1,370	301	2,194	98,677
Subscriptions	25,896	16,943	5,221	1,834	941	-	821	-	-	136	23,957
Outside services	534,452	-	4,316	-	-	453,086	-	608	67,604	8,838	381,640
Accounting services	95,559	-	-	-	-	-	-	-	-	95,559	96,444
Consultants	805,690	238,156	227,720	108,093	148,525	25,020	36,200	-	21,976	-	869,909
Website	488,214	154,667	55,178	60,719	100,778	37,480	79,392	-	-	-	497,790
Reference	64,668	27,702	12,278	12,344	12,344	-	-	-	-	-	63,048
Advertising/Marketing	1,642,368	468,592	239,349	88,017	564,457	106,247	175,706	-	-	-	1,718,012
Contributions	32,209	-	-	-	-	-	-	-	-	32,209	22,364
Bank fees	68,666	-	-	-	-	-	-	-	-	68,666	74,578
Press releases	26,162	14,084	-	4,672	7,406	-	-	-	-	-	32,077
Depreciation and amortization	100,794	23,412	19,275	6,851	14,198	16,025	13,387	4,024	604	3,018	84,604
Storage	17,390	-	-	-	-	-	-	-	-	17,390	15,094
	<u>\$ 16,632,311</u>	<u>\$ 3,549,396</u>	<u>\$ 2,494,775</u>	<u>\$ 935,908</u>	<u>\$ 2,444,285</u>	<u>\$ 2,221,382</u>	<u>\$ 1,506,738</u>	<u>\$ 280,906</u>	<u>\$ 2,233,457</u>	<u>\$ 965,464</u>	<u>\$ 15,150,757</u>

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

Media Research Center
Statement of Cash Flows
Year Ended December 31, 2021
(With Summarized Comparative Information as of December 31, 2020)

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities		
Change in net assets	\$ (2,262,177)	\$ 4,914,259
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation and amortization	100,794	84,604
Realized and unrealized gain on investments	(2,611,926)	(1,658,398)
Change in value of split interest agreement	104,196	223,503
Cash value of life insurance	(30,544)	(22,372)
Deferred rent	(67,172)	(51,413)
Forgiveness of Paycheck Protection Program loan	(1,160,197)	-
(Increase) decrease in assets		
Accounts receivable	53,577	(21,206)
Pledges receivable	3,017,462	(5,030,800)
Prepaid expenses	(28,768)	(3,979)
Increase (decrease) in liabilities		
Accounts payable	(31,984)	172,237
Accrued expenses	90,022	208,979
Obligation under deferred compensation plan	90,145	26,130
Net cash used in operating activities	<u>(2,736,572)</u>	<u>(1,158,456)</u>
Cash flows from investing activities		
Purchase of property and equipment	(295,543)	(15,923)
Purchase of investments	(5,510,395)	(6,807,540)
Sales and maturities of investments	8,152,258	7,659,789
Net cash provided by investing activities	<u>2,346,320</u>	<u>836,326</u>
Cash flows from financing activities		
Annuity payments	(102,832)	(74,312)
Proceeds from line of credit	2,035,571	800,000
Payments on line of credit	(1,620,000)	(1,500,000)
Payments on Small Business Administration loans	(1,282)	(51,128)
Proceeds from Small Business Administration loans	-	1,310,097
Net cash provided by financing activities	<u>311,457</u>	<u>484,657</u>
Net increase (decrease) in cash and cash equivalents	(78,795)	162,527
Cash and cash equivalents, beginning of year	<u>487,906</u>	<u>325,379</u>
Cash and cash equivalents, end of year	<u>\$ 409,111</u>	<u>\$ 487,906</u>
Supplemental disclosure of cash flow information		
Cash paid for interest expense	<u>\$ 59,175</u>	<u>\$ 44,102</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/freespeech, 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”).

Use 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

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.

Note 2 Summary of Significant Accounting Policies (continued)

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.

The financial statements include certain prior year summarized comparative information in total but not by net asset class or functional expenses. 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, 2020, 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

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, 2021 and 2020 totaled \$67,563 and \$70,322, respectively and is included as a component of accounts receivable on the accompanying statement of financial position.

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.

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.

Note 2 Summary of Significant Accounting Policies (continued)

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.

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.

Free Speech America – A movement to stop Big Tech censorship of conservatives.

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.

Note 2 Summary of Significant Accounting Policies (continued)

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 Receivable

Accounts receivable are stated at net realizable value. The Center does not require collateral and no interest is charged on outstanding receivables. Management periodically reviews accounts receivable 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, 2021, there were no accounts receivable that were more than ninety days past due and there were no accounts receivable 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, 2021, 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, 2021 were \$1,642,368.

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, 2021, the liability for unpaid claims and claims incurred but not reported were \$238,957, 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 that exceed the SIPC limits. The Center has not experienced any such losses.

Note 5 Investments

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 5 Investments (continued)

Investments are carried at fair value based on quoted market prices and consist of the following at December 31, 2021:

Money market funds	\$ 591,349
Mutual funds	7,215
Fixed income	2,815,676
Equities	12,499,215
Real estate investment trusts	<u>158,791</u>
	<u>\$ 16,072,246</u>

Investment return, net is comprised of the following as of December 31, 2021:

Interest and dividends	\$ 205,956
Net realized gain	1,991,895
Net unrealized gain	<u>620,031</u>
Investment gain before investment fees	2,817,882
Investment management fees	<u>(138,704)</u>
Investment return, net	<u>\$ 2,679,178</u>

Note 6 Property and Equipment

Property and equipment at December 31, 2021 consists of the following:

Leasehold improvements	\$ 385,077
Office equipment	2,908,341
Office furniture	<u>259,130</u>
Total	3,552,548
Less: accumulated depreciation and amortization	<u>(3,254,430)</u>
Total property and equipment, net	<u>\$ 298,118</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 was 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. On November 23, 2021, the Center obtained a new line of credit in the amount of \$3,000,000 at an interest rate of 2.75%.

The line of credit 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, 2021, the outstanding balance on the line of credit was \$1,715,571.

For the year ended December 31, 2021, interest expense incurred on the line of credit was \$59,175.

Note 8 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.

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, 2021, that amount, including the current portion of \$86,078, and long-term portion of \$342,099, totaled \$428,177.

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 9 Costs of Activities that Include Fundraising

For the year ended December 31, 2021, the Center incurred joint costs of \$2,160,895 for direct mail informational materials and activities that included fundraising appeals. Of those costs, \$713,095 was allocated to program services and \$1,447,800 was allocated to resource development (fundraising).

Note 10 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 \$147,590 for the year ended December 31, 2021.

During 2015, 2016 and 2021, the Center adopted nonqualified deferred compensation plans covering three 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, 2021, the value of the contracts totaled \$141,737 and the deferred compensation liability totaled \$266,011.

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, 2021, the value of the plan investments totaled \$1,707,812 and the deferred compensation liability totaled \$900,000.

At December 31, 2021, total deferred compensation liability as shown on the statement of financial position was \$1,166,011.

Note 11 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 \$604,066 for the year ended December 31, 2021.

As of December 31, 2021, the future minimum rental payments for this operating lease are as follows:

Years Ending December 31,	Amount
2022	\$ 660,525
2023	620,085
	<u>\$ 1,280,610</u>

Note 12 Noncash Transaction

In 2021, the Center received noncash stock contributions in the amount of \$371,239 which is included in contribution revenue in the statement of activities.

Note 13 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	\$ 18,936,078
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(4,951,161)
Board designations:	
Designated-endowment fund, primarily for long-term investing	<u>(5,563,677)</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 8,421,240</u></u>

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 14 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	\$ 383,089
Restricted for public education and research	1,723,823
Restricted for nonprofit journalism and education	<u>353,999</u>
	2,460,911

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	<u>2,490,250</u>
	<u><u>\$ 4,951,161</u></u>

Note 15 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.

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	<u>890,250</u>
	<u><u>\$ 2,490,250</u></u>

Changes in endowment net assets for the year ended December 31, 2021 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, January 1, 2021	<u>\$ 7,090,488</u>	<u>\$ 2,219,262</u>	<u>\$ 9,309,750</u>
Investment return:			
Investment income, net of fees	13,672	11,171	24,843
Net realized and unrealized gain	<u>1,578,213</u>	<u>342,828</u>	<u>1,921,041</u>
Total investment return	<u>1,591,885</u>	<u>353,999</u>	<u>1,945,884</u>
Expenditures	<u>-</u>	<u>(83,011)</u>	<u>(83,011)</u>
Contributions	<u>837,925</u>	<u>-</u>	<u>837,925</u>
Transfers to undesignated net assets	<u>(3,956,621)</u>	<u>-</u>	<u>(3,956,621)</u>
Endowment net assets, December 31, 2021	<u><u>\$ 5,563,677</u></u>	<u><u>\$ 2,490,250</u></u>	<u><u>\$ 8,053,927</u></u>

Note 15 Endowment Funds (continued)

Endowment composition by type as of December 31, 2021:

	<u>Without Donor</u>	<u>With Donor</u>	<u>Total</u>
Board designated endowment funds	\$ 5,563,677	\$ -	\$ 5,563,677
Reporter endowment fund	<u>-</u>	<u>2,490,250</u>	<u>2,490,250</u>
Total endowment funds	<u>\$ 5,563,677</u>	<u>\$ 2,490,250</u>	<u>\$ 8,053,927</u>

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 16 Income Taxes

During the year ended December 31, 2021, the Center received unrelated business income of \$537,078, 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, 2021.

As of December 31, 2021, the Center has a loss carryforward totaling \$1,551,188 that may be offset against future taxable income. If not used, the loss carryforward will begin to expire in 2029.

Note 17 Fair Value Measurement

GAAP 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.

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, 2021.

	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market fund	\$ 591,350	\$ 591,350	\$ -	\$ -
Domestic equities	10,802,708	10,802,708	-	-
International equities	1,696,507	1,696,507	-	-
	12,499,215	12,499,215	-	-
Fixed income:				
Government bonds	1,114,617	-	1,114,617	-
Corporate bonds	1,701,059	-	1,701,059	-
	2,815,676	-	2,815,676	-
Mutual funds	7,215	7,215	-	-
Real estate investment trusts	158,790	158,790	-	-
	\$ 16,072,246	\$ 13,256,570	\$ 2,815,676	\$ -
Liabilities				
Charitable gift annuities	\$ -	\$ -	\$ -	\$ 428,177

Note 17 Fair Value Measurement (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 8. For the year ended December 31, 2021, 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	\$ 426,813
Cash payments on annuities	(102,832)
Change in value of split interest	<u>104,196</u>
Ending balance	<u><u>\$ 428,177</u></u>

Note 18 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 PPP loan was forgiven in its entirety in May 2021 and the amount has been reflected as Paycheck Protection Program loan forgiveness on the statement of activities.

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 began in November 2021.

Note 18 Small Business Administration Loans (continued)

Principal payments on the EIDL are due as follows:

<u>December 31,</u>	<u>Amount</u>
2022	\$ 3,512
2023	3,611
2024	3,701
2025	3,817
2026	3,925
Thereafter	130,052
	<u>\$ 148,618</u>

Note 19 Subsequent Events

Management has evaluated subsequent events through November 15, 2022 which is the date the financial statements were available to be issued.