MEDIA RESEARCH CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2016)

CONTENTS

Frank & Company, p.c.

Certified Public Accountants
703-821-0702

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Media Research Center

Report on the Financial Statements

We have audited the accompanying financial statements of Media Research Center (the Center) which comprise the statement of financial position as of December 31, 2017, and the related statements of activities 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.

Auditors' 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, 2017, 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 Comparative Information

We have previously audited the Center's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Frank & Company, P.C.

1360 Beverly Road
Suite 300
McLean, Virginia 22101
July 21, 2108

MEDIA RESEARCH CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2016)

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	$ 617,509	$ 497,628
Accounts and other receivable	201,308	301,019
Pledges receivable	178,776	108,069
Prepaid expenses	95,736	72,079
Total current assets	1,093,329	978,795
Property and equipment - net of accumulated depreciation and amortization	295,804	469,529
Investments	3,158,781	2,729,930
Investments - designated	8,877,822	8,914,351
Investments - planned giving	1,797,561	1,601,947
Investments - deferred compensation	1,031,104	819,342
Investments - endowment	928,939	824,017
Cash value of life insurance	45,196	21,118
Security deposit	44,522	44,522
Total assets	$ 17,273,058	$ 16,403,551
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$ 221,023	$ 280,342
Accrued expenses	262,634	124,182
Line of credit	900,000	1,600,000
Annuity payment liability - current portion	80,419	140,147
Furniture loan - current portion	27,414	100,000
Total current liabilities	1,491,490	2,244,671
Annuity payment liability - net of current portion	8,151	15,521
Deferred rent	350,075	356,630
Deferred compensation liability	907,063	794,303
Furniture loan - net of current portion	78,653	64,229
Total liabilities	2,835,432	3,475,354
Net assets:		
Unrestricted:		
Undesignated	4,452,089	3,081,760
Designated	8,877,822	8,914,351
	13,329,911	11,996,111
Temporarily restricted	307,715	132,086
Permanently restricted	800,000	800,000
Total net assets	14,437,626	12,928,197
Total liabilities and net assets	$ 17,273,058	$ 16,403,551

See accompanying notes to financial statements.

MEDIA RESEARCH CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
Revenue and support:					
Contributions	$ 11,487,762	$ 178,776	$ -	$ 11,666,538	$ 10,716,587
Advertising income	1,396,902	-	-	1,396,902	2,082,753
Rental and other	155,074	-	-	155,074	338,535
Investment gains/(losses), net	2,053,223	104,922	-	2,158,145	967,792
Net assets released from restrictions	108,069	(108,069)	-	-	-
Total revenue and support	15,201,030	175,629	-	15,376,659	14,105,667
Expenses:					
Program services:					
News Analysis Division	3,721,660	-	-	3,721,660	4,280,649
CNS News Service	2,318,051	-	-	2,318,051	3,180,261
MRC Business	739,145	-	-	739,145	853,454
MRC Culture	787,664	-	-	787,664	701,261
MRC Action	409,689	-	-	409,689	969,303
MRCtv/Eyeblast/Multimedia	1,301,645	-	-	1,301,645	1,305,189
Youth Education and Intern	209,675	-	-	209,675	239,993
Total program services	9,487,529	-	-	9,487,529	11,530,110
Supporting services:					
Resource Development	3,493,308	-	-	3,493,308	3,663,874
General and Administrative	886,393	-	-	886,393	796,893
Total supporting services	4,379,701	-	-	4,379,701	4,460,767
Total expenses	13,867,230	-	-	13,867,230	15,990,877
Change in net assets	1,333,800	175,629	-	1,509,429	(1,885,210)
Net assets, beginning of year	11,996,111	132,086	800,000	12,928,197	14,813,407
Net assets, end of year	$ 13,329,911	$ 307,715	$ 800,000	$ 14,437,626	$ 12,928,197

See accompanying notes to financial statements.

MEDIA RESEARCH CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2017
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016)

	2017	2016
Cash flows from operating activities:		
Change in net assets	$ 1,509,429	$ (1,885,210)
Reconciling adjustments:		
Depreciation and amortization	198,297	242,516
Net realized and unrealized loss/(gain) on investments	(2,034,770)	(864,836)
Non-cash stock contributions received	(760,987)	(224,415)
Changes in operating assets and liabilities:		
Accounts and other receivable	99,711	(142,822)
Pledges receivable	(70,707)	597,090
Prepaid expenses	(23,657)	241,175
Accounts payable	(59,319)	(92,957)
Accrued expenses	138,452	41,079
Deferred rent	(6,555)	7,676
Obligation under deferred compensation plan	112,760	89,020
Net cash used in operating activities	(897,346)	(1,991,684)
Cash flows from investing activities:		
Purchase of property and equipment	(24,572)	(83,289)
Purchase of investments	(6,101,297)	(6,142,427)
Sales and maturities of investments	7,992,434	8,131,159
Increase in cash value of life insurance	(24,078)	87,063
Net cash provided by investing activities	1,842,487	1,992,506
Cash flows from financing activities:		
Annuity payment liability	(67,098)	(37,037)
Proceeds from line of credit	1,150,000	1,600,000
Payments on line of credit	(1,850,000)	(1,600,000)
Payments on furniture loan	(58,162)	(100,000)
Net cash used in financing activities	(825,260)	(137,037)
Net increase (decrease) in cash and cash equivalents	119,881	(136,215)
Cash and cash equivalents, beginning of year	497,628	633,843
Cash and cash equivalents, end of year	$ 617,509	$ 497,628
Supplemental Cash Flows Information:		
Interest paid	$ 51,850	$ 41,320

See accompanying notes to financial statements.

1. Organization

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 from the general public and direct mail solicitations.

2. Summary of Significant Accounting Policies

Accounting Method - The accompanying financial statements have been prepared on the accrual basis of accounting.

Financial Statement Presentation - The Center presents its financial statements for the year ended December 31, 2017 in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958. Under FASB ASC 958, the Center is required to report information regarding its financial position and activities according to three classes of net assets as follows:

Unrestricted Net Assets - Net assets not subject to donor-imposed stipulations.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Center and/or the passage of time.

2. Summary of Significant Accounting Policies (continued)

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that must be permanently maintained by the Center.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2016, from which the summarized information was derived.

Contributions - The Center records contributions received in accordance with FASB ASC 958. In accordance with FASB ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The Center reports gifts of cash and other assets as temporarily or permanently 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, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period. Conditional promises to give are not recorded as contribution revenue until donor conditions have been met.

Uses of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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. Realized and unrealized holding gains and losses are included with investment income in the statement of activities. Investment income is reported as increases or decreases in unrestricted net assets, unless the income or loss is restricted by donor or law.

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. Website and software are amortized using the straight-line method over their estimated useful life of two to three years. The Center capitalizes all equipment with a cost of at least $1,000.

Intangible Assets - The Center maintains a mailing list of approximately 600,000 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 $600,000.

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.

Functional Expenses - The costs of providing various program services have been summarized on a functional basis on the schedule of functional expenses. Certain costs have been allocated among program and supporting services 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.

2. Summary of Significant Accounting Policies (continued)

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.

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 3 months or less. Cash and cash equivalents exclude similar amounts included with investments as those funds are intended for investment purposes.

Accounts and Other Receivables - At December 31, 2017, accounts and other 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

2. Summary of Significant Accounting Policies (continued)

December 31, 2017, there were no accounts and other 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 and are classified as temporarily restricted net assets in the statement of activities. Management periodically reviews the collectibility 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, 2017, all pledges were considered fully collectible.

Advertising and Promotion - The Center expenses advertising and promotion costs as incurred. Advertising and promotion costs incurred during the year ended December 31, 2017, were $721,775.

Tax Status - The Center is recognized as a publicly-supported organization under section 501(c)(3) of the Internal Revenue Code. As such, it is exempt from income taxes on all but unrelated business income. No provision for income taxes was required for 2017.

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.

The Center's federal Return of Organization Exempt from Income Tax (Form 990) and Exempt Organization Business Income Tax Return (Form 990-T) are open to examination by the IRS generally for three years after they were filed.

Valuation of Long-Lived Assets - The Center accounts for the valuation of long-lived assets under FASB ASC 360. FASB ASC 360 requires that long-lived assets and certain identifiable intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets

2. Summary of Significant Accounting Policies (continued)

exceeds the estimated fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value, less costs to sell.

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 activity in the periods in which such adjustments are known. In general, self-insurance payables are recorded on an undiscounted basis. As of December 31, 2017, the liability for unpaid claims and claims incurred but not reported are $39,504 which is included in accrued expenses on the statement of financial position.

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 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.

4. Concentrations and Financial Risks (continued)

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 17% of contribution revenue and 13% of total revenue is from one donor.

5. Investments

Investments are carried at fair value based on quoted market prices and consist of the following at December 31, 2017:

Money market funds	$ 1,187,878
Mutual funds	7,729,171
Fixed income	2,355,396
Equities	4,521,762
	$ 15,794,207

Investment gains and losses are comprised of the following as of December 31, 2017:

Interest and dividends	$ 266,791
Net realized gain	1,387,880
Net unrealized gain	646,890
Investment gain before investment fees	2,301,561
Investment management fees	(143,416)
Investment gain, net of investment fees	$ 2,158,145

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.

6. Property and Equipment

A summary of property and equipment is as follows at December 31, 2017:

Leasehold improvements	$ 331,448
Office equipment	2,536,687
Telephone equipment	92,067
Office furniture	259,130
Website	350,499
Software	159,921
Studio	394,102
	4,123,854
Less accumulated depreciation and amortization	(3,828,050)
Total net depreciable property and equipment	$ 295,804

For the year ended December 31, 2017, depreciation and amortization expense was $198,297.

7. Line of Credit

During 2014, the Center entered into a revolving line of credit in the amount of $1,600,000 which expired March 30, 2015. The agreement was extended until March 30, 2018 in the amount of $1,600,000. Outstanding balances accrued interest at the LIBOR index rate plus 2.5%. The line was closed and paid off in August 2017.

On August 10, 2017, the Center entered into a revolving line of credit in the amount of $2,000,000 with an expiration date of August 10, 2019. The interest rate is 4.25%, but is subject to change from time to time based on changes in the Wall Street Journal Prime Index, not to drop below 3.75%. At December 31, 2017, the interest rate was 4.00%.

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.

7. Line of Credit (continued)

Under the agreement, the Center is required to maintain a minimum Net Assets of $10,000,000 and a minimum Current Assets plus Unrestricted investments of $3,000,000. At December 31, 2017, the outstanding balance on the line of credit was $900,000.

For the year ended December 31, 2017, interest expense incurred on the line of credit was $41,058.

8. Loan Payable

The Center entered into a loan on April 11, 2016 with a maturity date of March 31, 2018 for $500,000. The interest rate for the loan was LIBOR index rate plus 2.5%. The loan called for monthly principal payments of $8,333 plus interest. This loan was paid off in August 2017.

On August 8, 2017, the Center entered into a loan with a maturity date of August 10, 2021 for $115,000. The interest rate is 4.25% per annum but is subject to change from time to time based on changes in the Wall Street Journal Prime Index, not to drop below 3.75%. At December 31, 2017, the interest rate was 4.00%.

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 loan, the Center is required to maintain a minimum Net Assets of $10,000,000 and a minimum Current Assets plus Unrestricted investments of $3,000,000.

As of December 31, 2017, the future minimum payments under this loan are as follows:

8. Loan Payable (continued)

For the year ended	
2018	$ 27,414
2019	28,531
2020	29,693
2021	20,429
	$ 106,067

For the year ended December 31, 2017, interest expense on the loan was $10,792.

9. Charitable Gift Annuities

Beginning in 2002, the Center entered 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.

As of December 31, 2017, the estimated fair value of assets received totaled approximately $1,884,146. Annuity assets are held in segregated investment accounts. 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, 2017, that amount, including current portion of $80,419, and long-term portion of $8,151, totaled $88,570.

For the year ended December 31, 2017, unrestricted contribution revenue of approximately $207,766 has been recognized for the change in value of the trust. The annuity payment liability is reduced for distributions to the grantor or other beneficiaries.

10. Costs of Activities that Include Fundraising

For the year ended December 31, 2017, the Center incurred joint costs of $1,442,170 for direct mail informational materials and activities that included fundraising appeals. Of those costs, $259,591 was allocated to program services and $1,182,579 was allocated to resource development (fundraising).

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 part of salaries and benefits on the statement of functional expenses, totaled $115,293 for the year ended December 31, 2017.

During 2005 and 2006, 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, 2017, the value of the contracts totaled $45,196, and the deferred compensation liability totaled $163,988.

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, 2017, the value of the plan investments totaled $1,031,104 and the deferred compensation liability totaled $743,075.

At December 31, 2017, total deferred compensation liability as shown on the statement of financial position was $907,063.

12. Operating Lease

On October 1, 2013, the Center entered into a 10 year and 6 months lease for office space. The lease commenced in June 2014 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 a half percent (2.5%) per year. Rent expense under the lease was $577,190 for the year ended December 31, 2017.

As of December 31, 2017, the future minimum rental payments for this operating lease are as follows:

12. Operating Lease (continued)

For the year ended	
2019	$ 613,247
2020	628,603
2021	644,362
2022	660,525
2023	620,085
	$ 3,166,822

13. Related Party Transaction

During 2017, the Center paid $329,401 for public relations and press release services to a company in which the President has a minority ownership interest. The Center's Board of Directors has been informed and approved of the relationship and dealings.

14. Noncash Transaction

In 2017, the Center received noncash stock contributions in the amount of $760,987 which is included in contribution revenue in the statement of activities.

15. Temporarily Restricted Net Assets

Temporarily restricted net assets are available from the following as of December 31, 2017:

Contributions restricted for general support for future periods	$ 178,776
Investment Earnings restricted for reporter position	128,939
	$ 307,715

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.

The following table summarizes the change in the board designated and temporarily restricted endowment funds:

	Board Designated Endowment Fund	Temporarily Restricted Reporter Endowment Fund	Permanently Restricted Reporter Endowment Fund
Endowment net assets, January 1, 2017	$ 8,914,351	$ 24,017	$ 800,000
Investment return:			
Investment income, net of fees	37,038	104,922	-
Net realized and unrealized gains	1,337,845	-	-
Total investment return	1,374,883	104,922	-
Contributions	1,867,378	-	-
Transfers to undesignated assets	(3,278,790)	-	-
Endowment net assets, December 31, 2017	$ 8,877,822	$ 128,939	$ 800,000

16. Endowment Funds (continued)

Endowment composition by type as of December 31, 2017:

	Unrestricted	Temporarily Restricted	Permanently Restricted
Board designated endowment funds	$ 8,877,822	$ -	$ -
Reporter endowment fund	-	128,939	800,000
Total endowment funds	$ 8,877,822	$ 128,939	$ 800,000

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

16. Endowment Funds (continued)

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.

17. Income Taxes

During the year ended December 31, 2017, the Center received unrelated business income of $1,396,902, 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, 2017.

As of December 31, 2017, the Center has a loss carry-forward totaling $1,553,708 that may be offset against future taxable income. If not used, the loss carry-forward will begin to expire in 2029.

18. Fair Value Measurement

The Center applies FASB ASC 820 to all assets and liabilities that are being measured and reported on a fair value basis. FASB ASC 820 establishes a single authoritative definition of fair value, sets out a framework for measuring fair value, and requires additional disclosures about fair value measurements. FASB ASC 820 enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. 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: 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.

18. Fair Value Measurement (continued)

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 2 or Level 3 inputs for any assets held by the Center at December 31, 2017.

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy. There are no liabilities that are being measured and reported on a fair value basis.

	Fair Value	Level 1
Money market funds	$ 1,187,878	$ 1,187,878
Domestic equities	4,287,103	4,287,103
International equities	234,659	234,659
	4,521,762	4,521,762
Fixed income:		
Government bonds	1,793,663	1,793,663
Corporate bonds	561,733	561,733
	2,355,396	2,355,396
Equity and Mutual funds:		
Large cap	4,905,217	4,905,217
Mid cap	823,188	823,188
Small cap	889,135	889,135
International fund	1,111,631	1,111,631
	7,729,171	7,729,171
	$ 15,794,207	$ 15,794,207

The Center holds various investments which are publicly traded on the stock exchange and are considered a Level 1 item. For the year ended December 31, 2017, the application of the valuation techniques applied to similar assets has been consistent.

19. Subsequent Events

Management has evaluated subsequent events through July 21, 2018, when the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

MEDIA RESEARCH CENTER

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Program Services							Supporting Services		
	News Analysis Division	CNS News	MRC Business	MRC Culture	MRC Action	MRCtv	Youth Education and Intern Program	Resource Development	General and Administrative	Total
Salaries/benefits	$ 1,765,788	$ 1,371,543	$ 429,364	$ 453,171	$ 212,909	$ 776,486	$ 171,715	$ 1,218,365	$ 364,487	$ 6,763,828
Legal	-	-	-	-	-	-	-	-	97,382	97,382
Insurance	29,402	13,067	13,068	10,890	5,445	13,067	2,178	17,423	4,356	108,896
Real estate tax	8,566	4,036	3,840	3,102	1,600	3,742	664	5,168	1,279	31,997
Property tax	5,897	2,621	2,621	2,184	1,092	2,621	437	3,494	890	21,857
Interest	13,999	6,222	6,222	5,185	2,593	6,222	1,037	8,296	2,074	51,850
Registrations/fees	-	-	-	-	-	-	-	-	7,987	7,987
Printing	34,108	25,882	9,535	7,841	5,562	15,650	1,378	187,683	8,503	296,142
Postage	75,996	57,698	15,484	12,723	17,586	25,345	4,355	419,168	1,233	629,588
Mailing services	67,598	51,323	13,773	11,317	15,643	22,544	3,874	308,096	-	494,168
Meetings	665,125	-	-	-	-	-	-	182,583	9,806	857,514
List rental	12,424	9,433	2,531	2,080	2,875	4,144	712	51,300	-	85,499
Data processing	8,388	6,369	1,709	1,404	1,941	2,798	481	34,636	-	57,726
Creative fee	20,758	15,760	4,230	3,475	4,804	6,923	1,190	85,710	-	142,850
Caging	-	-	-	-	-	-	-	-	18,954	18,954
Acquisition	-	323	-	11,694	-	-	-	-	-	12,017
Messaging	-	764	-	-	-	-	-	-	-	764
Fulfillment	-	-	-	-	7,388	-	-	-	-	7,388
Travel/meals	4,600	3,610	344	899	-	5,548	634	91,875	35,321	142,831
Occupancy	45,417	24,160	20,989	16,351	6,722	21,872	2,731	21,595	9,866	169,703
Rent	154,403	73,099	69,263	55,801	28,860	67,345	12,023	93,309	23,087	577,190
Telephone	2,186	3,394	1,620	212	117	317	32	3,337	14,211	25,426
Office supplies	3,350	1,935	1,799	1,419	601	2,942	286	10,804	8,416	31,552
Equipment rental	6,200	2,756	2,756	2,296	1,148	2,756	460	3,674	919	22,965
Equipment maintenance	2,997	1,332	1,332	1,110	555	1,347	222	1,776	1,556	12,227
Delivery/courier	758	282	76	62	86	124	21	4,111	2,017	7,537
Computer services	18,270	9,388	8,935	7,554	4,215	9,161	1,154	9,233	2,308	70,218
Subscriptions	13,270	2,877	4,959	-	-	-	-	-	350	21,456
Outside services	1,315	25,173	-	-	2,495	-	125	614,686	60,503	704,297
Accounting services	-	-	-	-	-	-	-	-	71,179	71,179
Consultants	230,991	229,465	46,404	109,504	-	46,965	-	26,722	-	690,051
Web-site	171,765	110,213	24,439	24,013	-	75,576	-	-	-	406,006
Reference	29,600	28,089	13,760	4,593	-	-	-	7,512	-	83,554
Advertising/promotional	257,021	213,441	6,320	6,373	75,537	163,083	-	-	-	721,775
Contributions	-	-	-	-	-	-	-	-	38,175	38,175
Bank fees	-	-	-	-	-	-	-	-	76,762	76,762
Press releases	17,928	-	9,977	12,581	-	1,271	-	-	-	41,757
Prospecting	-	-	-	-	-	-	-	51,025	-	51,025
Depreciation/amortization	53,540	23,796	23,795	19,830	9,915	23,796	3,966	31,727	7,932	198,297
Storage	-	-	-	-	-	-	-	-	11,840	11,840
Training/Education	-	-	-	-	-	-	-	-	5,000	5,000
	$ 3,721,660	$ 2,318,051	$ 739,145	$ 787,664	$ 409,689	$ 1,301,645	$ 209,675	$ 3,493,308	$ 886,393	$ 13,867,230