MEDIA RESEARCH CENTER

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION FOR
THE YEAR ENDED DECEMBER 31, 2017)

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, 2018, 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.

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, 2018, 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.

Emphasis of Matter

As discussed in note 3 to the financial statements, the Center adopted Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). As a result of implementing this standard, the Center's beginning net assets have been reclassified to conform to the new standard. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the Center's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 21, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Franks & Company, P.C.

1360 Beverly Road
Suite 300
McLean, Virginia 22101
September 3, 2019

MEDIA RESEARCH CENTER

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF DECEMBER 31, 2017)

	2018	2017
Assets:		
Current assets:		
Cash and cash equivalents	$ 489,826	$ 617,509
Accounts and other receivable	170,669	201,308
Pledges receivable	1,038,230	178,776
Prepaid expenses	119,853	95,736
Total current assets	1,818,578	1,093,329
Property and equipment - net of accumulated depreciation and amortization	257,979	295,804
Investments	4,490,181	4,956,342
Investments - designated	6,858,003	8,877,822
Investments - deferred compensation	1,056,733	1,031,104
Investments - endowment	1,236,623	928,939
Cash value of life insurance	66,838	45,196
Security deposit	44,522	44,522
Total assets	$ 15,829,457	$ 17,273,058
Liabilities and net assets:		
Current liabilities:		
Accounts payable	$ 188,392	$ 221,023
Accrued expenses	159,910	262,634
Line of credit	1,000,000	900,000
Annuity payment liability - current portion	56,784	80,419
Furniture loan - current portion	28,645	27,414
Total current liabilities	1,433,731	1,491,490
Annuity payment liability - net of current portion	46,829	8,151
Deferred rent	328,971	350,075
Deferred compensation liability	1,024,255	907,063
Furniture loan - net of current portion	50,526	78,653
Total liabilities	2,884,312	2,835,432
Net assets:		
Without donor restriction:		
Undesignated	3,812,288	4,452,089
Designated	6,858,004	8,877,822
	10,670,292	13,329,911
With donor restriction	2,274,853	1,107,715
Total net assets	12,945,145	14,437,626
Total liabilities and net assets	$ 15,829,457	$ 17,273,058

See accompanying notes to financial statements.

MEDIA RESEARCH CENTER

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017)

	Without Donor Restriction	With Donor Restriction	2018 Total	2017 Total
Revenue and support:				
Contributions	$ 10,021,376	$ 1,438,230	$ 11,459,606	$ 11,733,636
Change in value of split-interest agreements	15,043	-	15,043	(67,098)
Advertising income	749,967	-	749,967	1,396,902
Rental and other	110,060	-	110,060	155,074
Investment gains/(losses), net	(966,392)	(92,316)	(1,058,708)	2,158,145
Net assets released from restrictions	178,776	(178,776)	-	-
Total revenue and support	10,108,830	1,167,138	11,275,968	15,376,659
Expenses:				
Program services:				
News Analysis Division	2,741,822	-	2,741,822	3,721,660
CNS News Service	1,968,515	-	1,968,515	2,318,051
MRC Business	709,747	-	709,747	739,145
MRC Culture	764,368	-	764,368	787,664
MRC Action	1,223,262	-	1,223,262	409,689
MRCtv/Eyeblast/Multimedia	1,124,925	-	1,124,925	1,301,645
Youth Education and Intern	193,895	-	193,895	209,675
Total program services	8,726,534	-	8,726,534	9,487,529
Supporting services:				
Resource Development	3,155,454	-	3,155,454	3,493,308
General and Administrative	886,461	-	886,461	886,393
Total supporting services	4,041,915	-	4,041,915	4,379,701
Total expenses	12,768,449	-	12,768,449	13,867,230
Change in net assets	(2,659,619)	1,167,138	(1,492,481)	1,509,429
Net assets, beginning of year	13,329,911	1,107,715	14,437,626	12,928,197
Net assets, end of year	$ 10,670,292	$ 2,274,853	$ 12,945,145	$ 14,437,626

See accompanying notes to financial statements.

MEDIA RESEARCH CENTER
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	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 Administra-tive	Total 2018	Total 2017
Salaries/benefits	$ 1,652,636	$ 1,250,608	$ 391,133	$ 397,196	$ 494,717	$ 680,344	$ 165,335	$ 1,356,068	$ 469,814	$ 6,857,851	$ 6,763,828
Legal	-	-	-	-	-	-	-	-	33,960	33,960	97,382
Insurance	23,619	12,323	11,296	11,296	8,215	11,296	2,054	17,458	5,135	102,692	108,896
Real estate tax	8,634	4,505	4,129	4,129	3,003	4,129	751	6,381	1,877	37,538	31,997
Property tax	4,842	2,526	2,316	2,316	1,684	2,316	421	3,579	1,053	21,053	21,857
Interest	13,128	6,849	6,279	6,279	4,566	6,279	1,142	9,703	2,983	57,208	51,850
Registrations/fees	-	-	-	-	-	-	-	-	8,765	8,765	7,987
Printing	20,452	16,262	12,352	6,825	6,680	11,383	1,087	425,252	17,572	517,865	296,142
Postage	19,373	14,138	5,013	5,401	8,416	7,948	1,369	449,371	3,389	514,418	629,588
Mailing services	9,319	6,801	2,411	2,598	4,048	3,823	658	239,679	-	269,337	494,168
Meetings	43,294	43,294	43,294	43,294	-	43,294	-	-	6,065	222,535	857,514
List rental	4,075	2,974	1,054	1,136	1,770	1,672	288	73,491	-	86,460	85,499
Data processing	2,569	1,874	665	716	1,116	1,054	181	46,324	-	54,499	57,726
Creative fee	7,375	5,382	1,908	2,056	3,204	3,026	521	133,005	-	156,477	142,850
Caging	-	-	-	-	-	-	-	-	13,844	13,844	18,954
Acquisition	-	-	-	-	9,717	-	-	-	-	9,717	12,017
Messaging	-	319	-	-	20,000	-	-	-	-	20,319	764
Fulfillment	-	-	-	-	335	-	-	-	-	335	7,388
Travel/meals	6,676	2,430	951	-	-	2,894	944	130,894	42,415	187,204	142,831
Occupancy	34,825	20,296	16,804	15,666	9,740	17,941	2,435	20,696	8,977	147,380	169,703
Rent	134,651	70,253	64,398	64,398	46,835	64,398	11,709	99,525	29,272	585,439	577,190
Telephone	1,121	1,752	579	-	-	-	-	1,956	12,260	17,668	25,426
Office supplies	3,924	2,376	1,739	1,680	1,222	2,910	525	4,706	11,493	30,575	31,552
Equipment rental	5,341	2,786	3,388	2,554	2,691	3,388	464	3,948	1,161	25,721	22,965
Equipment maintenance	1,405	726	684	684	500	684	124	1,037	457	6,301	12,227
Delivery/courier	386	87	82	33	52	89	8	5,345	3,435	9,517	7,537
Computer services	16,220	9,915	8,486	8,036	5,348	8,916	1,059	9,001	2,647	69,628	70,218
Subscriptions	12,444	10,329	4,355	-	-	826	-	-	210	28,164	21,456
Outside services	250	1,899	-	-	460,763	100	-	61,814	17,402	542,228	704,297
Accounting services	-	-	-	-	-	-	-	-	71,610	71,610	71,179
Consultants	275,515	236,961	58,571	127,393	9,167	62,857	-	28,093	-	798,557	690,051
Web-site	171,189	53,772	12,319	11,943	22,875	46,266	-	-	-	318,364	406,006
Reference	30,861	13,920	15,447	8,632	-	-	-	4,161	-	73,021	83,554
Advertising/promotional	189,713	155,877	12,917	12,930	85,319	121,584	-	-	-	578,340	721,775
Contributions	-	-	-	-	-	-	-	-	33,875	33,875	38,175
Bank fees	-	-	-	-	-	-	-	-	65,038	65,038	76,762
Press releases	15,559	363	11,669	11,669	-	-	-	-	-	39,260	41,757
Prospecting	-	-	-	-	-	-	-	-	-	-	51,025
Depreciation/amortization	32,426	16,918	15,508	15,508	11,279	15,508	2,820	23,967	7,049	140,983	198,297
Storage	-	-	-	-	-	-	-	-	13,831	13,831	11,840
Training/Education	-	-	-	-	-	-	-	-	872	872	5,000
	$ 2,741,822	$ 1,968,515	$ 709,747	$ 764,368	$ 1,223,262	$ 1,124,925	$ 193,895	$ 3,155,454	$ 886,461	$ 12,768,449	$ 13,867,230

See accompanying notes to financial statements.

MEDIA RESEARCH CENTER

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2018
(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets	$ (1,492,481)	$ 1,509,429
Reconciling adjustments:		
Depreciation and amortization	140,983	198,297
Net realized and unrealized loss/(gain) on investments	1,247,960	(2,034,770)
Non-cash stock contributions received	(459,484)	(760,987)
Changes in operating assets and liabilities:		
Accounts and other receivable	30,639	99,711
Pledges receivable	(859,454)	(70,707)
Prepaid expenses	(24,117)	(23,657)
Accounts payable	(32,631)	(59,319)
Accrued expenses	(102,724)	138,452
Deferred rent	(21,104)	(6,555)
Obligation under deferred compensation plan	117,192	112,760
Net cash used in operating activities	(1,455,221)	(897,346)
Cash flows from investing activities:		
Purchase of property and equipment	(103,158)	(24,572)
Purchase of investments	(5,938,478)	(6,101,297)
Sales and maturities of investments	7,302,669	7,992,434
Decrease in cash value of life insurance	(21,642)	(24,078)
Net cash provided by investing activities	1,239,391	1,842,487
Cash flows from financing activities:		
Annuity payment liability	15,043	(67,098)
Proceeds from line of credit	2,000,000	1,150,000
Payments on line of credit	(1,900,000)	(1,850,000)
Payments on furniture loan	(26,896)	(58,162)
Net cash provided by (used in) financing activities	88,147	(825,260)
Net increase (decrease) in cash and cash equivalents	(127,683)	119,881
Cash and cash equivalents, beginning of year	617,509	497,628
Cash and cash equivalents, end of year	$ 489,826	$ 617,509
Supplemental Cash Flows Information:		
Interest paid	$ 57,208	$ 51,850

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 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 two classes of net assets as follows:

Without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

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.

2. Summary of Significant Accounting Policies (continued)

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 accounting principles generally accepted in the United States. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2017, 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.

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 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. Investment income 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.

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 property and equipment with a cost of at least $1,000 and a useful life greater than one year.

2. Summary of Significant Accounting Policies (continued)

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. 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.

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 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 - 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 December 31, 2018, 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.

2. Summary of Significant Accounting Policies (continued)

Pledges Receivable - Unconditional promises to give are expected to be realized in one year or less. 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, 2018, 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, 2018, were $578,340.

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 2018.

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.

3. Implementation of New Accounting Standard

The Center implemented Financial Accounting Standards Board Accounting Standards Update 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). The following change was made to the 2017 financial statements as a result of implementing this standard:

- Previously reported temporarily and permanently restricted net assets of $307,715 and $800,000, respectively, were combined as net assets with donor restrictions.

This change to conform to the new standard had no impact on the previously reported change in net assets.

4. 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, 2018, the liability for unpaid claims and claims incurred but not reported are $30,751 which is included in accrued expenses on the statement of financial position.

5. 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.

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 14% of contribution revenue and 14% of total revenue is from one donor.

6. Investments

Investments are carried at fair value based on quoted market prices and consist of the following at December 31, 2018:

Money market funds	$ 1,096,155
Mutual funds	689,441
Fixed income	2,407,239
Equities	7,587,306
Exchange traded funds	1,861,399
	$ 13,641,540

Investment gains and losses are comprised of the following as of December 31, 2018:

Interest and dividends	$ 311,019
Net realized gain	853,299
Net unrealized loss	(2,101,259)
Investment loss before investment fees	(936,941)
Investment management fees	(121,767)
Investment loss, net of investment fees	$ (1,058,708)

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.

7. Property and Equipment

A summary of property and equipment is as follows at December 31, 2018:

Leasehold improvements	$ 331,448
Office equipment	2,639,845
Telephone equipment	92,068
Office furniture	259,130
Studio	394,102
	3,716,593
Less accumulated depreciation and amortization	(3,458,614)
Total net depreciable property and equipment	$ 257,979

8. Line of Credit

On August 10, 2018, 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, 2018, the interest rate was 4.25%.

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 a minimum Net Assets of $10,000,000 and a minimum Current Assets plus Unrestricted investments of $3,000,000. At December 31, 2018, the outstanding balance on the line of credit was $1,000,000.

For the year ended December 31, 2018, interest expense incurred on the line of credit was $53,064.

9. Loan Payable

On August 8, 2018, 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, 2018, 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, 2018, the future minimum payments under this loan are as follows:

9. Loan Payable (continued)

For the year ended	
2019	$ 28,645
2020	29,886
2021	20,640
	$ 79,171

For the year ended December 31, 2018, interest expense on the loan was $4,144.

10. 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, 2018, that amount, including current portion of $56,784, and long-term portion of $46,829, totaled $103,613.

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.

11. Costs of Activities that Include Fundraising

For the year ended December 31, 2018, the Center incurred joint costs of $1,230,047 for direct mail informational materials and activities that included fundraising appeals. Of those costs, $184,507 was allocated to program services and $1,045,540 was allocated to resource development (fundraising).

12. 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 $98,610 for the year ended December 31, 2018.

12. Retirement Plan (continued)

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, 2018, the value of the contracts totaled $66,838, and the deferred compensation liability totaled $167,856.

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, 2018, the value of the plan investments totaled $1,056,733 and the deferred compensation liability totaled $856,399.

At December 31, 2018, total deferred compensation liability as shown on the statement of financial position was $1,024,255.

13. 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 $585,439 for the year ended December 31, 2018.

As of December 31, 2018, the future minimum rental payments for this operating lease are as follows:

For the year ended	
2020	$ 628,603
2021	644,362
2022	660,525
2023	620,085
	$ 2,553,575

14. Related Party Transaction

During 2018, the Center paid $335,857 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.

15. Noncash Transaction

In 2018, the Center received noncash stock contributions in the amount of $459,484 which is included in contribution revenue in the statement of activities.

16. 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 balance sheet date. Amounts not available include amounts set aside for long-term investing in the designated endowment that could be drawn upon if the governing board approves that action. However, amounts already appropriated from the designated endowment for general expenditure within one year of the balance sheet date have not been subtracted as unavailable.

Financial assets at year end	$ 15,407,103
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(2,238,230)
Subject to appropriation and satisfaction of donor restrictions	(36,623)
Board designations:	
Designated endowment fund, primarily for long-term investing	(6,858,003)
Financial assets available to meet cash needs for general expenditure within one year	$ 6,274,246

16. 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, it 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 designated endowment.

17. Net Assets With Donor Restrictions

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

Subject to the passage of time:	
For periods after December 31, 2018	$ 1,038,230
Investment in perpetuity (including amounts above original gift amount of $36,623), which, once appropriated, is expendable to support:	
Reporter position	1,236,623
	$ 2,274,853

18. 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.

18. Endowment Funds (continued)

Endowment net asset composition by type of fund as of December 31, 2018:

	Without Donor Restriction	With Donor Restriction	Total
Board designated endowment fund	$ 6,858,003	$ -	$ 6,858,003
Donor restricted endowment fund:			
Original donor restricted gift amount required to be maintained in perpetuity by donor	-	1,200,000	1,200,000
Accumulated investment gains	-	36,623	36,623
	$ 6,858,003	$ 1,236,623	$ 8,094,626

Changes in endowment net assets for the year ended December 31, 2018, were as follows:

	Without Donor Restriction	With Donor Restriction	Total
Endowment net assets, January 1, 2018	$ 8,877,822	$ 928,939	$ 9,806,761
Contributions	-	400,000	400,000
Investment return, net	(219,877)	(92,316)	(312,193)
Appropriations	(1,799,942)	-	(1,799,942)
Endowment net assets, December 31, 2018	$ 6,858,003	$ 1,236,623	$ 8,094,626

18. Endowment Funds (continued)

Description of amounts classified as net assets with donor restrictions (endowment only) at December 31, 2018:

Original donor restricted gift amount required to be maintained in perpetuity by donor	$ 1,200,000
Accumulated investment gains on endowment funds:	
With purpose restrictions	36,623
	$ 1,236,623

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.

18. 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.

19. Income Taxes

During the year ended December 31, 2018, the Center received unrelated business income of $562,133, 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, 2018.

As of December 31, 2018, 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.

20. Fair Value Measurement

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: 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, 2018.

20. Fair Value Measurement (continued)

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy.

Assets	Fair Value	Level 1	Level 2	Level 3
Money market funds	$ 1,096,155	$ 1,096,155	$ -	$ -
Domestic equities	6,753,777	6,753,777	-	-
International equities	833,529	833,529	-	-
	7,587,306	7,587,306	-	-
Fixed income:				
Government bonds	1,454,148	-	1,454,148	-
Corporate bonds	953,091	-	953,091	-
	2,407,239	-	2,407,239	-
Mutual funds	689,441	689,441	-	-
Exchange traded funds	1,861,399	1,861,399	-	-
	$ 13,641,540	$ 11,234,301	$ 2,407,239	$ -
Liabilities				
Charitable gift annuities	$ -	$ -	$ -	$ 103,613

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 bonds 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 10. For the year ended December 31, 2018, the application of the valuation techniques applied to similar assets has been consistent.

20. Fair Value Measurement (continued)

Changes in Level 3 charitable gift annuities is as follows:

Beginning balance	$ 88,570
Change in value of split interest	15,043
Ending balance	$ 103,613

21. Subsequent Events

Management has evaluated subsequent events through September 3, 2019, when the financial statements were available to be issued.