PragerMetis

Media Research Center

Financial Statements

December 31, 2019

(With Summarized and Comparative Financial Information December 31, 2018)

Prager Metis CPAs, LLC

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Independent Auditor's Report

To the Board of Directors of
Media Research Center

We have audited the accompanying financial statements of Media Research Center (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized and Comparative Information

The 2018 financial statements were audited by Frank & Company, p.c., who combined with Prager Metis CPAs, LLC as of July 1, 2019 and who expressed an unmodified audit opinion on those audited financial statements in their report dated September 3, 2019. In our opinion, the summarized and comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Prager Metis CPAs, LLC

Prager Metis CPAs, LLC
McLean, Virginia
October 21, 2020

Media Research Center
Statements of Financial Position
December 31, 2019
(With Comparative Financial Information as of December 31, 2018)

	2019	2018
Assets		
Current assets		
Cash and cash equivalents	**$ 325,379**	$ 489,826
Accounts receivable	**109,193**	170,669
Pledges receivable	**364,561**	1,038,230
Prepaid expenses	**146,771**	119,853
Total current assets	**945,904**	1,818,578
Property and equipment – net of accumulated depreciation and amortization	**172,050**	257,979
Investments		
Undesignated	**5,588,362**	4,490,181
Designated	**6,517,129**	6,858,003
Deferred compensation	**1,261,977**	1,056,733
Endowment	**1,928,566**	1,236,623
Cash value of life insurance	**88,821**	66,838
Security deposit	**44,522**	44,522
Total assets	**$ 16,547,331**	$ 15,829,457

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

Media Research Center
Statements of Financial Position
December 31, 2019
(With Comparative Financial Information as of December 31, 2018)

	2019	2018
Liabilities and net assets		
Liabilities		
Current liabilities		
Accounts payable	**$ 363,591**	$ 188,392
Accrued expenses	**180,940**	159,910
Line of credit	**2,000,000**	1,000,000
Annuity payment liability – current portion	**71,524**	56,784
Furniture loan – current portion	**29,886**	28,645
Total current liabilities	**2,645,941**	1,433,731
Other liabilities		
Annuity payment liability – net of current portion	**206,098**	46,829
Deferred rent	**292,914**	328,971
Deferred compensation liability	**1,049,736**	1,024,255
Furniture loan – net of current portion	**21,242**	50,526
Total liabilities	**4,215,931**	2,884,312
Net assets without donor restrictions		
Undesignated	**3,521,144**	3,812,288
Designated	**6,517,129**	6,858,004
	10,038,273	10,670,292
Net assets with donor restrictions	**2,293,127**	2,274,853
Total net assets	**12,331,400**	12,945,145
Total liabilities and net assets	**$ 16,547,331**	$ 15,829,457

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

Media Research Center
Statements of Activities
Year Ended December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	Summarized 2018 Total
Revenue and support				
Contributions	**$ 9,574,246**	**$ 364,561**	**$ 9,938,807**	$ 11,459,606
Change in value of split-interest agreements	**121,043**	**-**	**121,043**	15,043
Advertising income	**604,434**	**-**	**604,434**	749,967
Rental and other	**129,019**	**-**	**129,019**	110,060
Investment gain, net	**2,610,586**	**291,943**	**2,902,529**	(1,058,708)
Net assets released from restrictions	**638,230**	**(638,230)**	**-**	-
Total revenue and support	**13,677,558**	**18,274**	**13,695,832**	11,275,968
Expenses				
Program services				
News Analysis Division	**3,281,690**	**-**	**3,281,690**	2,741,822
CNSNews	**2,412,831**	**-**	**2,412,831**	1,968,515
MRC Business	**895,077**	**-**	**895,077**	709,747
MRC Culture	**1,022,352**	**-**	**1,022,352**	764,368
MRC Action	**1,678,997**	**-**	**1,678,997**	1,223,262
MRCtv	**1,461,669**	**-**	**1,461,669**	1,124,925
Youth Education and Intern	**191,448**	**-**	**191,448**	193,895
Total program services	**10,944,064**	**-**	**10,944,064**	8,726,534
Support Services				
Resource development	**2,465,257**	**-**	**2,465,257**	3,155,454
General and administrative	**900,256**	**-**	**900,256**	886,461
Total support services	**3,365,513**	**-**	**3,365,513**	4,041,915
Total expenses	**14,309,577**	**-**	**14,309,577**	12,768,449
Change in nets assets	**(632,019)**	**18,274**	**(613,745)**	(1,492,481)
Net assets, at beginning of year	**10,670,292**	**2,274,853**	**12,945,145**	14,437,626
Net assets, at end of year	**$ 10,038,273**	**$ 2,293,127**	**$ 12,331,400**	$ 12,945,145

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

Media Research Center
Statements of Functional Expenses
Year Ended December 31, 2019
(With Summarized Financial Information as of December 31, 2018)

	Program Services							Supporting Services		Totals	
	News Analysis Division	CNSNews	MRC Business	MRC Culture	MRC Action	MRCtv	Youth Education and Intern Program	Resource Development	General and Administrative	**2019**	(Summarized) 2018
Salaries/benefits	$ 1,898,911	$ 1,482,706	$ 473,263	$ 462,903	$ 937,675	$ 866,919	$ 163,730	$ 414,315	$ 456,946	**$ 7,157,368**	$ 6,857,851
Legal	-	-	-	-	-	-	-	-	48,449	**48,449**	33,960
Insurance	29,191	17,457	7,053	10,892	9,876	13,894	1,934	3,480	2,900	**96,677**	102,692
Real estate tax	8,778	5,249	2,121	3,275	2,970	4,178	581	1,046	872	**29,070**	37,538
Property tax	5,076	3,036	1,227	1,894	1,718	2,415	336	605	504	**16,811**	21,053
Interest	19,087	11,414	4,611	7,122	6,458	9,084	1,264	2,275	1,871	**63,186**	57,208
Registrations/fees	-	-	-	-	-	-	-	-	8,888	**8,888**	8,765
Printing	29,632	23,149	9,335	9,837	12,827	19,287	1,919	529,034	3,907	**638,927**	517,865
Postage	29,117	21,780	7,942	8,924	14,519	17,408	1,699	668,837	842	**771,068**	514,418
Mailing services	14,142	10,579	3,857	4,334	7,052	8,455	825	351,153	-	**400,397**	269,337
Meetings	66,995	66,995	66,995	66,995	-	66,998	-	565	9,000	**344,543**	222,535
List rental	5,409	4,046	1,475	1,658	2,697	3,234	315	106,724	-	**125,558**	86,460
Data processing	2,827	2,115	771	866	1,410	1,690	165	55,786	-	**65,630**	54,499
Creative fee	9,041	6,763	2,466	2,771	4,508	5,405	527	178,396	-	**209,877**	156,477
Caging	-	-	-	-	-	-	-	-	14,885	**14,885**	13,844
Acquisition	-	-	-	-	-	-	-	-	-	**-**	9,717
Messaging	-	330	-	-	-	-	-	-	-	**330**	20,319
Fulfillment	-	-	-	-	-	-	-	-	-	**-**	335
Travel/meals	49,716	34,651	11,922	26,415	499	27,428	436	27,824	33,796	**212,687**	187,204
Occupancy	39,737	24,996	13,249	17,762	11,700	20,117	2,274	4,093	12,528	**146,456**	147,380
Rent	180,010	107,644	43,488	67,166	60,903	85,678	11,923	21,462	17,885	**596,159**	585,439
Telephone	1,918	545	545	-	-	-	-	1,647	13,744	**18,399**	17,668
Office supplies	6,696	3,834	1,261	1,800	1,816	4,768	404	1,061	10,690	**32,330**	30,575
Equipment rental	6,031	3,377	1,447	2,360	1,930	2,895	482	4,825	724	**24,071**	25,721
Equipment maintenance	2,234	1,252	548	880	724	1,066	172	1,760	379	**9,015**	6,301
Delivery/courier	798	231	208	94	154	184	18	9,850	3,125	**14,662**	9,517
Computer services	21,852	17,226	14,272	15,296	10,913	16,715	512	5,119	768	**102,673**	69,628
Subscriptions	16,326	7,541	5,455	-	-	181	-	-	77	**29,580**	28,164
Outside services	-	3,588	225	-	423,261	-	-	35,903	60,406	**523,383**	542,228
Accounting services	-	-	-	-	-	-	-	-	80,329	**80,329**	71,610
Consultants	278,431	233,300	66,151	149,939	10,000	60,301	-	20,179	-	**818,301**	798,557
Web-site	231,812	47,838	39,947	39,947	32,055	48,487	-	-	-	**440,086**	318,364
Reference	25,093	12,240	12,240	12,240	-	-	-	-	-	**61,813**	73,021
Advertising/Marketing	261,774	245,363	84,509	84,624	115,605	163,291	-	-	-	**955,166**	578,340
Contributions	-	-	-	-	-	-	-	-	29,989	**29,989**	33,875
Bank fees	-	-	-	-	-	-	-	-	68,283	**68,283**	65,038
Press releases	16,909	64	12,699	12,699	-	-	-	-	-	**42,371**	39,260
Depreciation and amortization	24,147	13,522	5,795	9,659	7,727	11,591	1,932	19,318	2,898	**96,589**	140,983
Storage	-	-	-	-	-	-	-	-	14,601	**14,601**	13,830
Training/Education	-	-	-	-	-	-	-	-	970	**970**	873
	$ 3,281,690	$ 2,412,831	$ 895,077	$ 1,022,352	$ 1,678,997	$ 1,461,669	$ 191,448	$ 2,465,257	$ 900,256	**$ 14,309,577**	$ 12,768,449

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

Media Research Center
Statements of Cash Flows
Year Ended December 31, 2019
(With Comparative Financial Information as of December 31, 2018)

	2019	2018
Cash flows from operating activities		
Net decrease in net assets	**$ (613,745)**	$ (1,492,481)
Adjustments to reconcile net decrease in net assets		
to cash used in operating activities		
Depreciation and amortization	**96,589**	140,983
Realized and unrealized gain on investments	**(2,705,809)**	1,247,960
Non-cash stock contributions received	**(467,741)**	(459,484)
Increase (decrease) in operating assets		
Accounts receivable	**61,476**	30,639
Pledges receivable	**673,669**	(859,454)
Prepaid expenses	**(26,918)**	(24,117)
Decrease (increase) in operating liabilities		
Accounts payable	**175,199**	(32,631)
Accrued expenses	**21,030**	(102,724)
Deferred rent	**(36,057)**	(21,104)
Obligation under deferred compensation plan	**25,481**	117,192
Net cash used in operating activities	**(2,796,826)**	(1,455,221)
Cash flows from investing activities		
Purchase of property and equipment	**(10,660)**	(103,158)
Purchase of investments	**(10,103,856)**	(5,938,478)
Sales and maturities of investments	**11,622,912**	7,302,669
Cash value of life insurance	**(21,983)**	(21,642)
Net cash provided by investing activities	**1,486,413**	1,239,391
Cash flows from financing activities		
Annuity payment liability	**174,009**	15,043
Proceeds from line of credit	**2,000,000**	2,000,000
Payments on line of credit	**(1,000,000)**	(1,900,000)
Payments on furniture loan	**(28,043)**	(26,896)
Net cash provided by financing activities	**1,145,966**	88,147
Net decrease in cash and cash equivalents	**(164,447)**	(127,683)
Cash and cash equivalents, beginning of year	**489,826**	617,509
Cash and cash equivalents, end of year	**$ 325,379**	$ 489,826
Supplemental disclosure of cash flow information		
Cash paid for interest expense	**$ 63,186**	$ 57,208

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

Note 1 Nature of Operations

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

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

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

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

Note 2 Summary of Significant Accounting Policies

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

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

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

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

Note 2 Summary of Significant Accounting Policies (continued)

The financial statements include certain prior-year summarized and comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2018, 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 and changes in net assets 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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments

Investments are reported at fair value based on quoted market prices. Realized and unrealized gains and losses are included with investment income in the statement of activities and changes in net assets. 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. 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 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.

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.

Note 2 Summary of Significant Accounting Policies (continued)

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, 2019, 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. 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, 2019, all pledges were considered fully collectible.

Advertising and Marketing
The Center expenses advertising and promotion costs as incurred. Advertising and marketing costs incurred during the year ended December 31, 2019 were $955,166.

Note 2 Summary of Significant Accounting Policies (continued)

Tax Status

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

Note 3 Self-Insurance

Beginning May 2014, the Center's insurance programs for employee-related health care benefits are effectively self-insured for which employees have up to one year after the date of service to file the claim. Accruals for self-insurance payables are based on claims filed and estimates of claims incurred but not yet reported plus development on reported claims. The Center considers past claims experience, including both frequency and settlement amount of claims, in determining these estimates. These estimates are subject to a high degree of uncertainty due to a variety of factors, including changes in claims reporting and resolution patterns, insurance industry practices, the regulatory environment, and legal precedent. If a loss exceeds $35,000 for an individual, the Center will recover the excess costs under a stop-loss insurance plan. Adjustments, if any, to estimates recorded resulting from ultimate claim payments will be reflected in the statement of activities in the periods in which such adjustments are known. In general, self-insurance payables are recorded on an undiscounted basis. As of December 31, 2019, the liability for unpaid claims and claims incurred but not reported were $38,938 which is included in accrued expenses on the statement of financial position.

Note 4 Concentrations and Financial Risks

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

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

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

Note 5 Investments

Investments are carried at fair value based on quoted market prices and consist of the following at December 31, 2019:

Money market funds	$	659,508
Mutual funds		28,508
Fixed income		2,982,442
Equities		11,472,119
Exchange traded funds		153,457
	$	15,296,034

Investment gains and losses are comprised of the following as of December 31, 2019:

Interest and dividends	$	322,586
Net realized gain		267,011
Net unrealized gain		2,438,798
Investment gain before investment fees		3,028,395
Investment management fees		(125,866)
Investment gain, net of investment fees	$	2,902,529

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

Note 6 Property and Equipment

Property and equipment at December 31, 2019 consists of the following:

Leasehold improvements	$	336,199
Office equipment		2,645,754
Office furniture		259,130
Total		3,241,083
Less: accumulated depreciation and amortization		(3,069,033)
Total property and equipment, net	$	172,050

Note 7 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%. The line of credit was renewed with a new expiration date of November 10, 2020. All other terms and conditions remained the same. At December 31, 2019, the interest rate was 3.75%.

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

Under the agreement, the Center is required to maintain minimum net assets of $10,000,000 and minimum current assets plus unrestricted investments of $3,000,000. At December 31, 2019, the outstanding balance on the line of credit was $2,000,000.

For the year ended December 31, 2019, interest expense incurred on the line of credit was $59,894.

Note 8 Loan Payable

On August 8, 2017, the Center entered into a loan with a maturity date of August 10, 2021 for $115,000. The 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, 2019, 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 loan, the Center is required to maintain minimum net assets of $10,000,000 and minimum current assets plus unrestricted investments of $3,000,000.

For the year ended December 31, 2019, interest expense on the loan as $3,292.

Note 8 Loan Payable (continued)

As of December 31, 2019, the future minimum payments under this loan are as follows:

Years Ending December 31,	Amount
2020	$ 29,886
2021	21,242
	$ 51,128

Note 9 Charitable Gift Annuities

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

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, 2019, that amount, including current portion of $71,524, and long-term portion of $206,098, totaled $277,622.

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

Note 10 Costs of Activities that Include Fundraising

For the year ended December 31, 2019, the Center incurred joint costs of $2,002,454 for direct mail informational materials and activities that included fundraising appeals. Of those costs, $300,368 was allocated to program services and $1,702,086 was allocated to resource development (fundraising).

Note 11 Retirement Plan

The Center sponsors a Section 403(b) retirement and salary reduction plan for the benefit of its employees. The Center will make a matching contribution up to 3% for eligible participants. Pension expense, included as a component of salaries and benefits on the statement of functional expenses, totaled $122,644 for the year ended December 31, 2019.

Note 11 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, 2019, the value of the contracts totaled $88,821, and the deferred compensation liability totaled $171,814.

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, 2019, the value of the plan investments totaled $1,261,977 and the deferred compensation liability totaled $877,922.

At December 31, 2019, total deferred compensation liability as shown on the statement of financial position was $1,049,736.

Note 12 Operating Lease

On October 1, 2012, the Center entered into a 10-year and 6-month lease for office space. The lease commenced in June 2013 and required a security deposit of $44,522 upon signing of the lease. The annual base rent is subject to an escalation clause of two and a half percent (2.5%) per year. Rent expense under the lease was $596,159 for the year ended December 31, 2019.

As of December 31, 2019, the future minimum rental payments for this operating lease are as follows:

Years Ending December 31,	Amount
2020	$ 628,603
2021	644,362
2022	660,525
2023	620,085
	$ 2,553,575

Note 13 Related Party Transaction

During 2019, the Center paid $320,379 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.

Note 14 Noncash Transaction

In 2019, the Center received noncash stock contributions in the amount of $467,741 which is included in contribution revenue in the statement of activities.

Note 15 Liquidity

The following reflects the Center's financial assets as of the statement of financial position date, which include cash, accounts and pledges receivable and investments, which are 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 statement of financial position date have not been subtracted as unavailable.

Financial assets at year end	$ 16,095,167
Less those unavailable for general expenditure within one year due to:	
Donor-imposed restrictions:	
Restricted by donor with time or purpose restrictions	(2,293,127)
Board designations:	
Designated-endowment fund, primarily for long-term investing	(6,517,129)
Financial assets available to meet cash needs for general expenditure within one year	$ 7,284,911

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 designated endowment.

Note 16 Net Assets with Donor Restrictions

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

Investment in perpetuity	$ 1,600,000
Restricted for any activities of the Center in future periods	364,561
Restricted for reporter position	328,566
	$ 2,293,127

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Note 17 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.

	Without Donor Restrictions	With Donor Restrictions	Total
Board designated endowment funds	$ 6,517,129	$ -	$ 6,517,129
Reporter endowment fund	-	1,928,566	1,928,566
Total endowment funds	$ 6,517,129	$ 1,928,566	$ 8,445,695

Changes in endowment net assets for the year ended December 31, 2019 were as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, January 1, 2019	$ 6,858,003	$ 1,636,627	$ 8,494,630
Investment return:			
Investment income, net of fees	60,943	415,016	475,959
Net realized and unrealized gain/(loss)	1,829,016	(123,077)	1,705,939
Total investment return	1,889,959	291,939	2,181,898
Contributions	1,047,957	-	1,047,957
Transfers to undesignated net assets	(3,278,790)	-	(3,278,790)
Endowment net assets, December 31, 2019	$ 6,517,129	$ 1,928,566	$ 8,445,695

Note 17 Endowment Funds (continued)

Description of amounts classified as net assets with donor restrictions (endowment only) at December 31, 2019:

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	328,566
	$ 1,928,566

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.

Note 17 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.

Note 18 Income Taxes

During the year ended December 31, 2019, the Center received unrelated business income of $604,434, 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, 2019.

As of December 31, 2019, 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.

Note 19 Fair Value Measurements

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

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

In determining the appropriate levels, the Center performs a detail analysis of the assets and liabilities that are subject to FASB ASC 820. There were no Level 3 inputs for any assets held by the Center at December 31, 2019.

Note 19 Fair Value Measurements (continued)

The following table presents the balances of assets measured at fair value on a recurring basis by level within the hierarchy for the year ended December 31, 2019.

	Fair Value	Level 1	Level 2	Level 3
Assets				
Money market fund	$ 659,508	$ 659,508	$ -	$ -
Domestic equities	9,677,557	9,677,557	-	-
International equities	1,794,562	1,794,562	-	-
	11,472,119	11,472,119	-	-
Fixed income:				
Government bonds	1,888,821	-	1,888,821	-
Corporate bonds	1,093,621	-	1,093,621	-
	2,982,442	-	2,982,442	-
Mutual funds	28,508	28,508	-	-
Exchange traded funds	153,457	153,457	-	-
	$ 15,296,034	$ 12,313,592	$ 2,982,442	$ -
Liabilities				
Charitable gift annuities	$ -	$ -	$ -	$ 277,622

The Center holds various investments, which are publicly traded on the stock exchange and are considered Level 1 investments. Bonds are considered level 2 investments as they are valued at the present value of the bond's coupon interest rate plus the present value of the face value payment at maturity discounted at the market's required rate of return, which are considered observable market rate inputs. Charitable gift annuity liabilities are considered a Level 3 measurement and are valued as described in Note 9. For the year ended December 31, 2019, 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	$ 103,613
Change in value of split interest	174,009
Ending balance	$ 277,622

Note 20 Subsequent Events

Management has evaluated subsequent events through October 21, 2020 when the financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively impact the Center, although such potential impacts are unknown at this time.