

REPORT OF
INVESTIGATIVE REPORTERS
AND EDITORS, INC.
JUNE 30, 2020 AND 2019

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Investigative Reporters and Editors, Inc.

We have audited the accompanying financial statements of Investigative Reporters and Editors, Inc. (IRE), which comprise the statements of financial position as of June 30, 2020 and 2019; the related statements of activities, functional expenses, and cash flows for the years 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 U.S. generally accepted accounting principles; 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

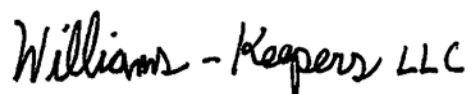
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements 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 IRE as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



January 8, 2021

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2020 and 2019

ASSETS	2020	2019
Cash and cash equivalents	\$ 1,197,181	\$ 1,751,492
Accounts receivable	37,506	274,309
Prepaid expenses	54,482	26,400
Publications inventory	22,474	13,589
Pledges and grants receivable	325,000	210,000
Capital assets, net of accumulated depreciation of \$116,447 for 2020 and \$109,521 for 2019	13,705	15,010
Investments	5,527,454	4,869,942
Total assets	<u>\$ 7,177,802</u>	<u>\$ 7,160,742</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 68,008	\$ 488,416
Funds administered as a fiscal agent	370,256	259,105
Paycheck Protection Program Loan	233,400	-
Unearned revenues	50,525	12,195
Total liabilities	<u>722,189</u>	<u>759,716</u>
NET ASSETS		
Without donor restrictions:		
Reserve funds	644,452	582,459
Board-designated for endowment	18,952	17,221
Other	124,726	358,613
Total net assets without donor restrictions	<u>788,130</u>	<u>958,293</u>
With donor restrictions:		
Perpetual restrictions	3,469,047	3,454,757
Purpose or time restrictions	2,198,436	1,987,976
Total net assets with donor restrictions	<u>5,667,483</u>	<u>5,442,733</u>
Total net assets	<u>6,455,613</u>	<u>6,401,026</u>
Total liabilities and net assets	<u>\$ 7,177,802</u>	<u>\$ 7,160,742</u>

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

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(with summarized totals for 2019)

	2020			2019
	Without Donor Restrictions	With donor Restrictions	Total	Total
OPERATING ACTIVITIES				
REVENUE AND OTHER SUPPORT				
Membership	\$ 259,435	\$ -	\$ 259,435	\$ 296,875
Sales and services	136,163	-	136,163	119,094
Conferences and seminars	490,688	-	490,688	1,098,258
Contributions	354,814	950,632	1,305,446	1,185,927
Investment return	5,066	15,876	20,942	225,175
Other	40,673	-	40,673	41,910
Net assets released from restrictions	756,048	(756,048)	-	-
Total revenue and other support	2,042,887	210,460	2,253,347	2,967,239
EXPENSES				
Program:				
Member services	132,385	-	132,385	115,612
Sales and services	213,300	-	213,300	230,231
Conferences and seminars	1,111,203	-	1,111,203	1,319,793
Awards contest	7,364	-	7,364	8,835
Total program expense	1,464,252	-	1,464,252	1,674,471
General and administrative	612,536	-	612,536	574,266
Fund-raising	136,262	-	136,262	166,368
Total expenses	2,213,050	-	2,213,050	2,415,105
Excess of operating revenues and other support over expenses	(170,163)	210,460	40,297	552,134
NONOPERATING ACTIVITIES				
Contributions	-	7,824	7,824	3,805
Investment return	-	6,466	6,466	36,475
Increase (decrease) in net assets	(170,163)	224,750	54,587	592,414
Net assets at beginning of year	958,293	5,442,733	6,401,026	5,808,612
Net assets at end of year	\$ 788,130	\$ 5,667,483	\$ 6,455,613	\$ 6,401,026

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

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

	Without Donor Restrictions	With donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND OTHER SUPPORT			
Membership	\$ 296,875	\$ -	\$ 296,875
Sales and services	119,094	-	119,094
Conferences and seminars	1,098,258	-	1,098,258
Contributions	609,058	576,869	1,185,927
Investment return	2,615	222,560	225,175
Other	41,910	-	41,910
Net assets released from restrictions	570,846	(570,846)	-
Total revenue and other support	2,738,656	228,583	2,967,239
EXPENSES			
Program:			
Member services	115,612	-	115,612
Sales and services	230,231	-	230,231
Conferences and seminars	1,319,793	-	1,319,793
Awards contest	8,835	-	8,835
Total program expense	1,674,471	-	1,674,471
General and administrative	574,266	-	574,266
Fund-raising	166,368	-	166,368
Total expenses	2,415,105	-	2,415,105
Excess of operating revenues and other support over expenses	323,551	228,583	552,134
NONOPERATING ACTIVITIES			
Contributions	-	3,805	3,805
Investment return	-	36,475	36,475
Increase in net assets	323,551	268,863	592,414
Net assets at beginning of year	634,742	5,173,870	5,808,612
Net assets at end of year	\$ 958,293	\$ 5,442,733	\$ 6,401,026

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

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENTS OF FUNCTIONAL EXPENSES **Years Ended June 30, 2020 and 2019**

	2020			
	Program	Supporting Services		Total
		General and Administrativ	Fund-raising	
Payroll and benefits	\$ 849,137	\$ 348,221	\$ 128,372	\$ 1,325,730
Audio/visual and computer rentals	148,818	-	-	148,818
Travel and meals	129,782	38,768	4,835	173,385
Banquets	122,660	-	-	122,660
Scholarships, fellowships, and awards	121,902	-	-	121,902
Other expenses	26,633	61,871	567	89,071
Depreciation	-	6,926	-	6,926
Copying and printing	26,049	7,950	-	33,999
Shipping and postage	14,100	6,495	72	20,667
Software and IT support	16,025	42,382	2,340	60,747
Books and merchandise	4,863	-	-	4,863
Equipment and supplies	4,283	4,433	76	8,792
Credit card service fee	-	38,410	-	38,410
Bad debt write-offs	-	3,910	-	3,910
Professional services	-	21,038	-	21,038
Insurance	-	20,132	-	20,132
Rent	-	12,000	-	12,000
Total expenses	<u>\$ 1,464,252</u>	<u>\$ 612,536</u>	<u>\$ 136,262</u>	<u>\$ 2,213,050</u>

	2019			
	Program	Supporting Services		Total
		General and Administrativ	Fund-raising	
Payroll and benefits	\$ 719,598	\$ 312,131	\$ 155,132	\$ 1,186,861
Audio/visual and computer rentals	293,531	-	-	293,531
Travel and meals	183,957	20,723	6,207	210,887
Banquets	157,968	-	-	157,968
Scholarships, fellowships, and awards	159,866	-	-	159,866
Other expenses	48,002	31,897	2,500	82,399
Depreciation	-	8,113	-	8,113
Copying and printing	46,316	2,104	189	48,609
Shipping and postage	15,846	5,092	-	20,938
Software and IT support	17,087	51,371	2,340	70,798
Books and merchandise	25,632	-	-	25,632
Equipment and supplies	6,668	5,336	-	12,004
Credit card service fee	-	50,986	-	50,986
Bad debt write-offs	-	27,193	-	27,193
Professional services	-	27,651	-	27,651
Insurance	-	19,669	-	19,669
Rent	-	12,000	-	12,000
Total expenses	<u>\$ 1,674,471</u>	<u>\$ 574,266</u>	<u>\$ 166,368</u>	<u>\$ 2,415,105</u>

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

INVESTIGATIVE REPORTERS AND EDITORS, INC.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2020 and 2019

	2020	2019
OPERATING ACTIVITIES		
Increase in net assets	\$ 54,587	\$ 592,414
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	6,926	8,113
Realized and unrealized investment loss (gain)	170,335	(74,858)
Permanently restricted contributions	(7,824)	(3,805)
Reinvested endowment earnings	(6,466)	(36,475)
(Increases) decreases in operating assets and increases (decreases) in operating liabilities:		
Accounts receivable	236,803	61,164
Pledges and grants receivable	(115,000)	277,000
Prepaid expenses	(28,082)	438
Publications inventory	(8,885)	500
Accounts payable	(420,408)	(48,126)
Funds administered as a fiscal agent	111,151	(181,078)
Unearned revenues	38,330	(795)
Net cash provided by operating activities	31,467	594,492
INVESTING ACTIVITIES		
Capital asset additions	(5,621)	(3,243)
Purchases of investments	(2,099,344)	(707,594)
Sales of investments	1,602,066	46,680
Net change in cash sweep account	(330,569)	354,948
Net cash used by investing activities	(833,468)	(309,209)
FINANCING ACTIVITIES		
Proceeds from issuance of debt	233,400	-
Cash collected from permanently restricted contributions	7,824	3,805
Reinvested endowment earnings	6,466	36,475
Net cash provided by financing activities	247,690	40,280
Net (decrease) increase in cash and cash equivalents	(554,311)	325,563
Cash and cash equivalents, beginning of year	1,751,492	1,425,929
Cash and cash equivalents, end of year	\$ 1,197,181	\$ 1,751,492

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

INVESTIGATIVE REPORTERS AND EDITORS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization: Investigative Reporters and Editors, Inc. (IRE) is a non-profit, educational organization of journalists, students, researchers, and academics. IRE's purpose is to enhance the skills and resources available to working journalists and to teach the techniques of investigative work.

IRE operates the National Institute for Computer-Assisted Reporting (NICAR), a joint program of IRE and the Missouri School of Journalism. NICAR's mission is to train and educate journalists in the techniques and technologies of computer-assisted reporting. Its mission is also to conduct data analysis and research to help news organizations better serve the public.

Basis of accounting: The financial statements of IRE are prepared using the accrual basis of accounting. Operating revenues include donor contributions that are spendable. Operating expenses consist of various costs of operating programs initiated by IRE. Non-operating revenues and expenses include gains and losses on investments, non-spendable donor contributions, and investment income

Financial statement presentation: In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, IRE reports information regarding its financial position and activities based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. If a donor-imposed restriction expires or the condition is met within the same reporting period in which the support was recognized, it will be reported as an increase in net assets without donor restrictions. Otherwise, when a restriction expires, 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 restrictions. Assets without donor-imposed restrictions that are designated for specific use by IRE's Board of Directors are included in net assets without donor restrictions.

Net assets with donor restrictions: Net assets with donor restrictions are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

Contributions in-kind: IRE receives office space and utilities at no charge from the University of Missouri - Columbia. The estimated annual fair value of these contributions, \$12,000, and the off-setting expenses are included in the Statement of Activities.

Estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash equivalents: For purposes of the statement of cash flows, investments with an original maturity of three months or less are considered to be cash equivalents unless they are included in the long-term investment portfolio. IRE maintains cash balances at financial institutions that are in excess of the amount insured by the Federal Deposit Insurance Corporation (FDIC).

Investments: Investments are reported at fair value, which is generally obtained from IRE's investment manager, who obtains quoted market prices and dealer quotes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Purchases and sales of securities are recorded on a trade date basis. Dividends are recorded on the declaration date. Interest is recorded when earned. Net appreciation includes IRE's gains and losses on investments bought and sold as well as held during the year.

Investment securities of IRE are exposed to various risks, such as interest rates, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of financial position.

Inventory: Inventory is determined using the first in, first out (FIFO) method and is stated at lower of cost or net realizable value.

Receivables: IRE records an allowance for estimated uncollectible accounts when necessary. At June 30, 2020 and 2019, IRE considered all accounts to be fully collectible.

Capital assets: Capital assets, which consist of computers and other equipment and website development costs, are stated at cost if purchased or fair value if contributed. Capitalized assets are depreciated over 3-7 years using the straight-line method.

Program expenses: Program expenses include expenses directly related to the respective programs and certain allocated indirect expenses. Indirect expenses, such as telephone, postage, and other staff salaries that pertain to IRE general programs, are allocated to specific programs based on criteria established by management.

Statement of Functional Expenses: The costs of providing programs and other activities have been summarized on a functional basis in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Income taxes: IRE is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. IRE's Form 990 annual report to the Internal Revenue Service (IRS) and its taxable status are subject to examination by the IRS for open tax years, which as of the date of this report are the years ended June 30, 2017 through 2020. Interest and penalties incurred, if any, related to annual Form 990 or unrelated business income tax filings are reported within general and administrative expenses in the Statement of Activities.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation.

Subsequent events: Events that occurred subsequent to June 30, 2020 have been evaluated through January 8, 2021, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

As of June 30, cash and investments consisted of the following:

	2020	2019
Cash and cash equivalents:		
Checking	\$ 1,194,053	\$ 1,168,658
Interest-bearing cash account:		
Reserve funds portion	2,753	582,459
Petty cash fund	375	375
Total cash and cash equivalents	<u>\$ 1,197,181</u>	<u>\$ 1,751,492</u>
Long-term investment portfolio:		
Cash sweep accounts	\$ 578,541	\$ 247,972
Common and preferred stocks	1,148,662	1,345,683
Mutual Funds	534,698	-
Corporate, U.S treasury, and municipal bonds	3,265,553	3,276,287
Total long-term investments	<u>\$ 5,527,454</u>	<u>\$ 4,869,942</u>
Long-term investment portfolio consists of:		
Investments under IRE's sole control	\$ 4,377,986	\$ 4,367,535
Investments under IRE's sole control - reserve fund portion	641,699	-
Investments limited as to use (FOI revolving fund - see Note 8)	507,769	502,407
	<u>\$ 5,527,454</u>	<u>\$ 4,869,942</u>

Net investment return of IRE for the years ended June 30 was as follows:

	2020	2019
Interest and dividends, less investment fees	\$ 197,743	\$ 186,792
Net investment (losses) gains	<u>(170,335)</u>	<u>74,858</u>
	<u>\$ 27,408</u>	<u>\$ 261,650</u>
Operating activities	\$ 20,942	\$ 225,175
Nonoperating activities	6,466	36,475
	<u>\$ 27,408</u>	<u>\$ 261,650</u>

Reserve fund policy:

In June 2015, IRE approved a formal reserve policy setting goals for the amount of emergency reserves IRE must have on hand. These goals set the floor and the ceiling for the reserve at three months and six months, respectively, of total operating expense. Operating expenses are calculated based on quarterly payroll expenses and annualized budgeted administrative and general expenses. Reserve funds are available to be used in the case of a financial shortfall requiring immediate attention. A proposal to use reserve funds requires approval by the Board of Directors. If reserve funds fall below the floor amount, any funds that are available at the end of the fiscal year are to be used to replenish the reserves.

3. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. For assets and liabilities required to be reported at fair value, U.S. generally accepted accounting principles (GAAP) prescribes a framework for measuring fair value and financial statement disclosures about fair value measurements. A fair value hierarchy has been established that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

The three levels of the fair value hierarchy as prescribed by GAAP are as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that IRE has the ability to access.
- Level 2 Valuation is based upon quoted prices for similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data by correlation or other means. Observable inputs may include interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is based on methodologies that are unobservable and significant to the fair value measure. These may be generated from model-based techniques that use at least one significant assumption based on unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. IRE's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of valuation methodologies used for assets and liabilities recorded at fair value.

Common and preferred stock: Valued at closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the daily closing price as reported by the fund on an active market which is based on the underlying net asset value (NAV) of shares held by IRE at fiscal year-end. Mutual funds held by IRE are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by IRE are deemed to be actively traded.

Corporate bonds: Certain corporate bonds are valued at the closing price reported in the inactive market in which the bond is traded. Other corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. When quoted prices are not available for identical or similar bonds, the bond is valued under a discounted cash flows approach that maximizes observable inputs such as current yields of similar instruments, but includes adjustments for certain risks that may not be observable, such as credit and liquidity risks.

U.S. Government, state and local government bonds: Valued at the closing price reported in the market in which the individual security is traded. When quoted market prices are not available for identical or similar bonds, the securities are valued under a discounted cash flows approach.

The table below presents IRE's assets measured at fair value on a recurring basis as of June 30, 2020 and 2019, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Total	Level 1	Level 2	Level 3
2020:				
Common and preferred stocks:				
Financial services	\$ 149,225	\$ 149,225	\$ -	\$ -
Industrial materials	159,196	159,196	-	-
Energy	173,937	173,937	-	-
Transportation	72,699	72,699	-	-
Utilities	50,754	50,754	-	-
Health care	182,558	182,558	-	-
Consumer goods	60,601	60,601	-	-
Communications	153,607	153,607	-	-
Technology	77,268	77,268	-	-
Food and Beverage	42,717	42,717	-	-
Retail services	26,100	26,100	-	-
Total common and preferred stocks	1,148,662	1,148,662	-	-
Mutual Funds	534,698	534,698	-	-
Corporate bonds	3,095,545	-	3,095,545	-
U.S. Treasury Bonds	124,978	-	124,978	-
Municipal bonds	45,030	-	45,030	-
Total investments at fair value	4,948,913	\$ 1,683,360	\$ 3,265,553	\$ -
Cash sweep accounts	578,541			
Total investment portfolio	\$ 5,527,454			
2019:				
Common and preferred stocks:				
Financial services	\$ 237,710	\$ 237,710	\$ -	\$ -
Industrial materials	182,468	182,468	-	-
Energy	255,763	255,763	-	-
Transportation	93,769	93,769	-	-
Utilities	55,823	55,823	-	-
Health care	156,288	156,288	-	-
Consumer goods	55,398	55,398	-	-
Communications	163,306	163,306	-	-
Technology	69,420	69,420	-	-
Food and Beverage	44,438	44,438	-	-
Retail services	31,300	31,300	-	-
Total common and preferred stocks	1,345,683	1,345,683	-	-
Corporate bonds	3,205,598	-	3,205,598	-
Municipal bonds	70,689	-	70,689	-
Total investments at fair value	4,621,970	\$ 1,345,683	\$ 3,276,287	\$ -
Cash sweep accounts	247,972			
Total investment portfolio	\$ 4,869,942			

4. CAPITAL ASSETS

Capital assets, which consist of computers and other equipment and website development costs, are as follows at June 30:

	2020	2019
Computers and other equipment	\$ 115,152	\$ 109,531
IRE website	15,000	15,000
Total in service, at cost	130,152	124,531
Less accumulated depreciation	(116,447)	(109,521)
Total capital assets, net of depreciation	<u>\$ 13,705</u>	<u>\$ 15,010</u>

5. CONTRIBUTIONS

Contributions received, including unconditional promises to give, are recognized as revenues in the period in which the contributions or pledges are made, at the net present value of their estimated future cash flows. Pledges that are conditional promises to give are recognized in the period in which the conditions are met. Grants are included with contributions for purposes of financial reporting. Pledges and grants receivable at June 30, 2020 and 2019, are primarily from foundations and news organizations and are as follows:

	2020	2019
Due in one year or less	\$ 250,000	\$ 210,000
Due in two through five years	75,000	-
Net pledges and grants receivable	<u>\$ 325,000</u>	<u>\$ 210,000</u>

6. FUNDS ADMINISTERED AS A FISCAL AGENT

From time to time, IRE may agree to serve as a fiscal agent for other organizations or individuals who have received grant funding for purposes that are not inconsistent with IRE's mission. In situations where IRE is only a fiscal agent administering the grant receipts and expenditures and reporting to or on behalf of the grant recipients, but has no grant program performance responsibility, the funding receipts and expenditures from those receipts are reported as a liability on IRE's Statement of Financial Position. IRE charges an administrative fee for its fiscal agent services.

7. PAYCHECK PROTECTION PROGRAM LOAN

In April 2020, IRE qualified for and received a loan pursuant to the Paycheck Protection Program (PPP), a program implemented by the U.S. Small Business Administration (SBA) under the Coronavirus Aid, Relief, and Economy Securities Act, from a qualified lender, for an aggregate principal amount of \$233,400. The PPP loan bears interest at a fixed rate of 1.0%, has a term of 18 months and is unsecured and guaranteed by the SBA. The principal amount of the loan is subject to forgiveness under the program upon IRE's request to the extent that proceeds are used to pay expenses as permitted by the SBA, which include payroll, covered rent and mortgage obligations, and covered utility payments incurred by IRE during the specified time frame per the SBA. Management expects that the full loan amount will be forgiven during fiscal year 2021.

8. NET ASSETS WITH DONOR RESTRICTIONS

As of June 30, IRE's donor restricted net assets are composed of the following:

	2020	2019
Accumulated investment earnings	\$ 491,524	\$ 664,259
Subject to purpose or time restrictions	1,706,912	1,323,717
Total subject to time or purpose restrictions	2,198,436	1,987,976
Subject to perpetual restrictions - original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	3,469,047	3,454,757
	<u>\$ 5,667,483</u>	<u>\$ 5,442,733</u>

Donor Restricted Net Assets with Purpose and Time Restrictions

Net assets with donor restrictions related to purpose and/or time restrictions represents resources either expendable only for those purposes specified by the donor or subject to a donor's time restrictions on when they are available for expenditure.

The following describes the nature of the restrictions of the major categories of net assets with donor restrictions under a purpose or time stipulation as of December 31 and the amounts released from those restrictions for the years ended June 30:

	Purpose or Time Restricted		Released from Restrictions	
	2020	2019	2020	2019
John S. and James L. Knight Foundation grants:				
NFOIC Freedom of Information revolving fund	\$ 489,116	\$ 485,453	\$ -	\$ -
Conference support	102,295	125,076	85,111	-
TV grant	142,000	217,157	75,157	40,999
Workshops	184,741	273,221	408,480	237,503
Pledges (time restricted)	300,000	-	-	277,000
Scholarships, fellowships, and trainings	519,692	579,365	77,300	-
Bootcamps	21,625	-	-	11,949
General endowment accumulated earnings	214,335	314,574	110,000	-
IRE conference support	215,000	-	-	-
Underwater endowments	(15,368)	(6,870)	-	-
Other	25,000	-	-	3,395
Total net assets subject to purpose/time restrictions	<u>\$ 2,198,436</u>	<u>\$ 1,987,976</u>	<u>\$ 756,048</u>	<u>\$ 570,846</u>

NFOIC Freedom of Information revolving fund: IRE and the National Freedom of Information Coalition (NFOIC), a nonprofit organization, entered into a Memorandum of Understanding (MOU) on October 1, 2015. Under the terms of the MOU, a total of \$460,632, which was the balance of an original \$500,000 grant to NFOIC from the John S. and James L. Knight Foundation, was transferred on June 10, 2016, by the University of Missouri, operating as a fiscal agent for the grant, to IRE to act as a successor fiscal agent for the grant. The purpose of the grant was to establish a revolving fund to help defray costs for individual states of the U.S. for FOI litigation. Because of the related nature of the mission of IRE and NFOIC, and because IRE's responsibilities for the FOI grant program management extend beyond being a fiscal agent, IRE has reported the funds received as contribution revenue in its Statement of Activities and as an investment in its Statement of Financial Position. Consistent with this accounting, IRE intends to report as changes in net assets in its Statement of Activities for future periods investment earnings and expenditures of the funds and return by states of any unspent grant funds previously distributed to them.

The changes in these donor restricted net assets for the years ended June 30 are as follows:

	2020	2019
Beginning of year	\$ 1,987,976	\$ 1,759,393
Contributions	950,632	576,869
Investment earnings and other	15,876	222,560
Releases from restrictions	(756,048)	(570,846)
End of year	<u>\$ 2,198,436</u>	<u>\$ 1,987,976</u>

Donor Restricted Net Assets with Perpetual Restrictions and Endowments

The original gifts and any subsequent gifts from donors for which the corpus of the gift is required to be maintained into perpetuity are classified as donor restricted endowment funds, including any outstanding donor pledges of endowment contributions. In addition to permanently restricted donor gifts, IRE's endowment also contains certain other donor restricted and non-donor restricted funds, as designated by the Board. Endowment funds are invested in IRE's long-term investment portfolio, but at any point in time a portion may be temporarily held in uninvested bank deposit accounts.

The following are the donor restricted net assets with perpetual restrictions maintained by IRE in the endowment, including any outstanding pledges of contributions that are permanently restricted:

	2020	2019
John S. and James L. Knight Foundation: Cumulative amounts recognized under challenge grants. The grants call for an annual addition to the permanently restricted portion for inflation	\$ 855,336	\$ 848,870
Other individual endowment funds, excluding any portion of the Knight Foundation challenge match funds that are allocable to these individual funds:		
Eugene S. Pulliam Fund: to fund the salary and other expenses of the IRE Resource Center directorship	475,000	475,000
Samuel I. Newhouse Foundation: for general IRE purposes	225,000	225,000
Gannett Foundation: to fund computer assisted investigative reporting training sessions	150,000	150,000
Nicholas B. Ottaway Foundation: to fund minority fellowships.	299,999	299,999
Las Vegas Sun: to fund investigative reporting training sessions	150,001	150,001
Fund for Freelance Journalists: to fund training fellowships for journalists working on investigative projects	106,352	106,352
Phillip Graham Foundation: to fund minority fellowships	137,500	137,500
James Bennett Award Funds: to fund fellowships to IRE/NICAR training events for students in Arkansas (except for the University of Arkansas-Fayetteville), Oklahoma, Louisiana, and Mississippi	47,404	47,404
General endowment: Cumulative individual donor contributions, some of which has been designated for specific purposes	<u>1,022,455</u>	<u>1,014,631</u>
Net assets subject to donor perpetual restrictions	<u>\$ 3,469,047</u>	<u>\$ 3,454,757</u>

Interpretation of Relevant Law

A version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) is the law governing the management of donor-restricted endowment funds in Missouri. UPMIFA provides guidance for investment management and expenditure decisions related to endowment funds.

The Board of Directors of IRE has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date for donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, IRE retains in perpetuity (a) the original value of the initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Pursuant to UPMIFA, donor restricted amounts not retained in perpetuity are subject to appropriation and expenditure by IRE in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, IRE considers the following factors in making a determination to appropriate or accumulate from a donor-restricted endowment fund: duration and preservation of the endowment fund; purposes of IRE and the endowment funds; general economic conditions; the possible effect of inflation and deflation; the expected total return from income and the appreciation of investments; other resources of IRE; and the investment policies of IRE.

IRE has not adopted a spending rate approach for appropriation of endowment earnings for expenditure. Instead, endowment earnings are expended based on the current needs of the organization and consistent with the purpose restrictions imposed by the donors. Accordingly, endowment gifts are invested appropriately to provide maximum long-term growth of the endowment portfolio balanced with the liquidity needed for current expenditure of a portion of the endowment earnings. A diversified mix of equity and fixed income securities traded in public markets is used to achieve these objectives.

Underwater Endowment

From time to time, due to unfavorable market conditions, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires IRE to retain as a fund of perpetual duration (underwater endowments). IRE follows a policy of not spending from such underwater endowment funds.

At both June 30, 2020 and 2019, IRE had one endowment fund that was underwater. This fund had an original value of \$600,000 in 2003 but was to be adjusted for yearly inflation. At June 30, 2020, the current year inflation adjusted balance was \$855,336 and the current year aggregate value of the fund was \$839,968, resulting in the fund balance being underwater by \$15,368. At June 30, 2019, the current year inflation adjusted balance was \$848,870 and the current year aggregate value of the fund was \$842,000, resulting in the fund balance being underwater by \$6,870. As a result of the endowment fund being underwater, the minimum amount to be distributed for program and administrative costs, deemed as 3.50% per the endowment agreement, was not distributed during these years.

The following is a summary of changes in endowment funds by net asset classification for the years ended June 30, 2020 and 2019.

	Without Donor Restrictions	With Donor Restrictions		
		Purpose or Time Restricted	Perpetual	Total
Endowment net assets, July 1, 2018	\$ 7,869	\$ 651,307	\$ 3,414,477	\$ 4,073,653
Investment return	1,064	214,212	36,475	251,751
Contributions:				
Perpetual restrictions	-	-	3,805	3,805
Board designated for endowment	8,288	119,775	-	128,063
Endowment net assets, June 30, 2019	17,221	985,294	3,454,757	4,457,272
Investment return	221	26,864	6,466	33,551
Contributions:				
Perpetual restrictions	-	-	7,824	7,824
Board designated for endowment	1,510	1,678	-	3,188
Appropriated for expenditures	-	(152,000)	-	(152,000)
Endowment net assets, June 30, 2020	<u>\$ 18,952</u>	<u>\$ 861,836</u>	<u>\$ 3,469,047</u>	<u>\$ 4,349,835</u>

The following is a summary of changes in endowments by category for the years ended June 30, 2020 and 2019:

	Long-term Investment Portfolio	Temporary Cash Funds	Total
Balance, July 1, 2018	\$ 4,017,707	\$ 55,946	\$ 4,073,653
Contributions	-	3,805	3,805
Board-designated endowment contributions	-	128,063	128,063
Investment return:			
Income	187,137	-	187,137
Appreciation	64,614	-	64,614
Investment of endowment funds	98,000	(98,000)	-
Balance, June 30, 2019	4,367,458	89,814	4,457,272
Contributions	-	7,824	7,824
Board-designated endowment contributions	-	3,188	3,188
Investment return:			
Income	193,742	-	193,742
Depreciation	(160,191)	-	(160,191)
Expenditures	(152,000)	-	(152,000)
Investment of endowment funds	128,900	(128,900)	-
Balance, June 30, 2020	<u>\$ 4,377,909</u>	<u>\$ (28,074)</u>	<u>\$ 4,349,835</u>

9. REVENUE RECOGNITION

Revenues other than contributions and investment return are recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which IRE expects to be entitled in exchange for those goods or services. Revenue for conferences and seminars is recognized at a point in

time when the performance obligation is satisfied, which is the date the event occurs. Amounts received for events occurring subsequent to fiscal year end are reported as deferred revenue. Membership revenue is recognizable over time in the fiscal years in which benefits are delivered, but IRE recognizes membership revenue at a point in time in the fiscal year of receipt as net amounts received from members for subsequent years are considered to be immaterial. Revenues from sales and services are recognized at a point in time when the product or service is delivered to the customer.

Variable consideration, such as refunds and discounts, are considered to be immaterial based upon historical experience and known trends. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur.

See Note 5 for policies governing the recognition of contribution revenue.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

IRE receives significant contributions with donor restrictions to be used in accordance with the associated purpose or time restrictions. It also receives gifts to establish endowments that will exist in perpetuity; the income generated from such endowments is used to fund programs. In addition, IRE receives support without donor restrictions, investment income without donor restrictions, and appropriated earnings from gifts with donor restrictions.

IRE considers contributions without donor restrictions for use in current programs which are ongoing and central to its annual operations to be available to meet cash needs for general expenditures. General expenditures include general and administrative expenses, fund-raising expenses, and commitments expected to be paid in the subsequent year. Annual operations are defined as activities occurring during IRE's fiscal year.

IRE manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that long term commitments that support mission fulfillment will continue to be met, ensuring the sustainability of IRE.

The table below presents financial assets available for general expenditures within one year at June 30, 2020:

Cash and cash equivalents	\$ 1,197,181
Investments	5,527,454
Accounts receivable	37,506
Pledges and grants receivable in one year or less	<u>250,000</u>
Financial assets at June 30, 2020	<u>7,012,141</u>
Less those unavailable for general expenditures within one year due to:	
Donor-restricted endowment fund	3,469,047
Donor-restricted for specific purpose	<u>1,948,436</u>
Total assets not available within one year	<u>5,417,483</u>
Total assets available within one year	<u><u>\$ 1,594,658</u></u>

11. COMMITMENTS AND CONTINGENCIES

From time to time, IRE may receive grants which require any unused funds to be returned to the grantor at the conclusion of the grant period. Unless it is uncertain whether or not grant funds will be used for their respective restricted purpose within the grant period, unexpended grant funds are reported as net assets with donor restrictions. As of June 30, 2020 and 2019, any unexpended grant funds have been reported as contributions and are included in net assets with donor restrictions.

12. ADOPTION OF NEW ACCOUNTING STANDARDS

The Financial Accounting Standards Board (FASB) issued new guidance that created Topic 606, *Revenue from Contracts with Customers*, in the Accounting Standards Codification (ASC). ASC 606 supersedes the previous revenue recognition requirements in U.S. GAAP, and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

IRE adopted the requirements of the new guidance in ASC 606 as of July 1, 2019, utilizing the modified retrospective method of transition. IRE applied the new guidance using the following practical expedients provided in ASC 606: i) all contract modifications that occurred prior to the date of initial application when identifying the satisfied and unsatisfied performance obligations, determining transaction price, and allocating the transaction price have been reflected in the aggregate; and ii) all contracts completed at the initial date of application were not considered. Therefore, the comparative information in the financial statements has not been adjusted and continues to be reported under previous revenue guidance. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

The adoption of this ASU did not have a material impact on IRE's financial statements. Based on IRE's evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. Therefore, no changes were required to previously reported revenues as a result of the adoption.

13. COVID-19 PANDEMIC

As a result of the COVID-19 pandemic, economic uncertainties have arisen which could impact IRE's operations. However, the duration of the pandemic and the related financial impact on IRE cannot be reasonably estimated at this time.