

REPORT OF
INVESTIGATIVE REPORTERS
AND EDITORS, INC.
JUNE 30, 2021 AND 2020

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, 2021 and 2020; 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, 2021 and 2020, 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.

Williams - Keepers LLC

January 24, 2022

INVESTIGATIVE REPORTERS AND EDITORS, INC.**STATEMENTS OF FINANCIAL POSITION****June 30, 2021 and 2020**

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 1,602,258	\$ 1,197,181
Accounts receivable	79,661	37,506
Prepaid expenses	20,327	54,482
Publications inventory	19,855	22,474
Pledges and grants receivable	305,000	325,000
Capital assets, net of accumulated depreciation of \$28,627 for 2021 and \$116,447 for 2020	16,060	13,705
Investments	6,329,780	5,527,454
Total assets	<u>\$ 8,372,941</u>	<u>\$ 7,177,802</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 118,632	\$ 68,008
Funds administered as a fiscal agent	397,075	370,256
Paycheck Protection Program Loan	233,400	233,400
Unearned revenues	5,800	50,525
Total liabilities	<u>754,907</u>	<u>722,189</u>
NET ASSETS		
Without donor restrictions:		
Reserve funds	644,567	644,452
Board-designated for endowment	86,692	18,952
Other	717,099	124,726
Total net assets without donor restrictions	<u>1,448,358</u>	<u>788,130</u>
With donor restrictions:		
Perpetual restrictions	3,869,828	3,469,047
Purpose or time restrictions	2,299,848	2,198,436
Total net assets with donor restrictions	<u>6,169,676</u>	<u>5,667,483</u>
Total net assets	<u>7,618,034</u>	<u>6,455,613</u>
Total liabilities and net assets	<u>\$ 8,372,941</u>	<u>\$ 7,177,802</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, 2021

(with summarized totals for 2020)

	2021			2020
	Without Donor Restrictions	With donor Restrictions	Total	Total
OPERATING ACTIVITIES				
REVENUE AND OTHER SUPPORT				
Membership	\$ 375,100	\$ -	\$ 375,100	\$ 259,435
Sales and services	143,823	-	143,823	136,163
Conferences and seminars	968,181	-	968,181	490,688
Contributions	664,572	265,488	930,060	1,305,446
Investment return	8,660	553,816	562,476	20,942
Other	37,785	-	37,785	40,673
Net assets released from restrictions	566,794	(566,794)	-	-
Total revenue and other support	2,764,915	252,510	3,017,425	2,253,347
EXPENSES				
Program:				
Member services	141,087	-	141,087	132,385
Sales and services	233,109	-	233,109	213,300
Conferences and seminars	918,211	-	918,211	1,111,203
Awards contest	3,127	-	3,127	7,364
Total program expense	1,295,534	-	1,295,534	1,464,252
General and administrative	680,516	-	680,516	612,536
Fundraising	126,347	-	126,347	136,262
Total expenses	2,102,397	-	2,102,397	2,213,050
Excess of operating revenues and other support over expenses	662,518	252,510	915,028	40,297
NONOPERATING ACTIVITIES				
Contributions	-	160,242	160,242	7,824
Investment return	-	89,441	89,441	6,466
Loss on disposal of capital assets	(2,290)	-	(2,290)	-
Increase in net assets	660,228	502,193	1,162,421	54,587
Net assets at beginning of year	788,130	5,667,483	6,455,613	6,401,026
Net assets at end of year	\$ 1,448,358	\$ 6,169,676	\$ 7,618,034	\$ 6,455,613

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

	Without Donor Restrictions	With donor Restrictions	Total
OPERATING ACTIVITIES			
REVENUE AND OTHER SUPPORT			
Membership	\$ 259,435	\$ -	\$ 259,435
Sales and services	136,163	-	136,163
Conferences and seminars	490,688	-	490,688
Contributions	354,814	950,632	1,305,446
Investment return	5,066	15,876	20,942
Other	40,673	-	40,673
Net assets released from restrictions	756,048	(756,048)	-
Total revenue and other support	2,042,887	210,460	2,253,347
EXPENSES			
Program:			
Member services	132,385	-	132,385
Sales and services	213,300	-	213,300
Conferences and seminars	1,111,203	-	1,111,203
Awards contest	7,364	-	7,364
Total program expense	1,464,252	-	1,464,252
General and administrative	612,536	-	612,536
Fundraising	136,262	-	136,262
Total expenses	2,213,050	-	2,213,050
Excess (deficiency) of operating revenues and other support over expenses	(170,163)	210,460	40,297
NONOPERATING ACTIVITIES			
Contributions	-	7,824	7,824
Investment return	-	6,466	6,466
Increase (decrease) in net assets	(170,163)	224,750	54,587
Net assets at beginning of year	958,293	5,442,733	6,401,026
Net assets at end of year	\$ 788,130	\$ 5,667,483	\$ 6,455,613

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, 2021 and 2020

2021				
	Program	Supporting Services		Total
		General and Administrative	Fundraising	
Payroll and benefits	\$ 924,284	\$ 433,732	\$ 122,806	\$ 1,480,822
Audio/visual and computer rentals	6,323	-	-	6,323
Travel and meals	1,027	4,405	132	5,564
Banquets	-	-	-	-
Scholarships, fellowships, and awards	136,375	-	-	136,375
Other expenses	69,131	74,049	756	143,936
Depreciation	-	4,975	-	4,975
Copying and printing	26,758	1,800	-	28,558
Shipping and postage	9,421	1,941	211	11,573
Software and IT support	105,311	23,284	2,340	130,935
Books and merchandise	16,878	-	-	16,878
Equipment and supplies	26	4,173	102	4,301
Credit card service fee	-	44,388	-	44,388
Bad debt write-offs	-	15,000	-	15,000
Professional services	-	36,889	-	36,889
Insurance	-	23,880	-	23,880
Rent	-	12,000	-	12,000
Total expenses	<u>\$ 1,295,534</u>	<u>\$ 680,516</u>	<u>\$ 126,347</u>	<u>\$ 2,102,397</u>

2020				
	Program	Supporting Services		Total
		General and Administrative	Fundraising	
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>

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, 2021 and 2020

	2021	2020
OPERATING ACTIVITIES		
Increase in net assets	\$ 1,162,421	\$ 54,587
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	4,975	6,926
Realized and unrealized investment (gain) loss	(450,344)	170,335
Loss on disposal of equipment	2,290	-
Permanently restricted contributions	(160,242)	(7,824)
Reinvested endowment earnings	(89,441)	(6,466)
(Increases) decreases in operating assets and increases (decreases) in operating liabilities:		
Accounts receivable	(42,155)	236,803
Pledges and grants receivable	20,000	(115,000)
Prepaid expenses	34,155	(28,082)
Publications inventory	2,619	(8,885)
Accounts payable	50,624	(420,408)
Funds administered as a fiscal agent	26,819	111,151
Unearned revenues	(44,725)	38,330
Net cash provided by operating activities	<u>516,996</u>	<u>31,467</u>
INVESTING ACTIVITIES		
Capital asset additions	(9,620)	(5,621)
Purchases of investments	(1,024,486)	(2,429,913)
Sales of investments	<u>822,911</u>	<u>1,602,066</u>
Net cash used by investing activities	<u>(211,195)</u>	<u>(833,468)</u>
FINANCING ACTIVITIES		
Proceeds from issuance of debt	-	233,400
Cash collected from permanently restricted contributions	9,835	7,824
Reinvested endowment earnings	<u>89,441</u>	<u>6,466</u>
Net cash provided by financing activities	<u>99,276</u>	<u>247,690</u>
Net increase (decrease) in cash and cash equivalents	405,077	(554,311)
Cash and cash equivalents, beginning of year	<u>1,197,181</u>	<u>1,751,492</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,602,258</u></u>	<u><u>\$ 1,197,181</u></u>
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Permanently restricted contributions received via investments	<u><u>\$ 150,407</u></u>	<u><u>\$ -</u></u>

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, 2021 and 2020, 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, 2018 through 2021. 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.

Subsequent events: Events that occurred subsequent to June 30, 2021 have been evaluated through January 24, 2022, 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:

	2021	2020
Cash and cash equivalents:		
Checking	\$ 1,599,130	\$ 1,194,053
Interest-bearing cash account:		
Reserve funds portion	2,753	2,753
Petty cash fund	375	375
Total cash and cash equivalents	<u>\$ 1,602,258</u>	<u>\$ 1,197,181</u>
Long-term investment portfolio:		
Cash sweep accounts	\$ 609,114	\$ 578,541
Common and preferred stocks	1,531,415	1,148,662
Mutual Funds	1,386,070	534,698
Corporate, U.S treasury, and municipal bonds	2,803,181	3,265,553
Total long-term investments	<u>\$ 6,329,780</u>	<u>\$ 5,527,454</u>
Long-term investment portfolio consists of:		
Endowment fund investments	\$ 5,099,166	\$ 4,377,773
Reserve fund investments	641,814	641,699
Other investments	82	213
Investments limited as to use - FOI revolving fund (see Note 8)	588,718	507,769
Total long-term investments	<u>\$ 6,329,780</u>	<u>\$ 5,527,454</u>

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

	2021	2020
Interest and dividends	\$ 201,573	\$ 197,743
Net investment gains (losses)	450,344	(170,335)
	<u>\$ 651,917</u>	<u>\$ 27,408</u>
Operating activities	\$ 562,476	\$ 20,942
Nonoperating activities	89,441	6,466
	<u>\$ 651,917</u>	<u>\$ 27,408</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, 2021 and 2020, aggregated by the level in the fair value hierarchy within which those measurements fall:

Description	Total	Level 1	Level 2	Level 3
2021:				
Common and preferred stocks:				
Financial services	\$ 227,684	\$ 227,684	\$ -	\$ -
Industrial materials	215,792	215,792	-	-
Energy	144,868	144,868	-	-
Transportation	179,925	179,925	-	-
Utilities	60,061	60,061	-	-
Health care	250,369	250,369	-	-
Consumer goods	68,841	68,841	-	-
Communications	19,818	19,818	-	-
Technology	97,516	97,516	-	-
Food and Beverage	52,587	52,587	-	-
Retail services	213,954	213,954	-	-
Total common and preferred stocks	1,531,415	1,531,415	-	-
Mutual Funds	1,386,070	1,386,070	-	-
Corporate bonds	2,803,181	-	2,803,181	-
Total investments at fair value	5,720,666	\$ 2,917,485	\$ 2,803,181	\$ -
Cash sweep accounts	609,114			
Total investment portfolio	\$ 6,329,780			
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			

4. CAPITAL ASSETS

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

	2021	2020
Computers and other equipment	\$ 29,687	\$ 115,152
IRE website	15,000	15,000
Total in service, at cost	44,687	130,152
Less accumulated depreciation	(28,627)	(116,447)
Total capital assets, net of depreciation	<u>\$ 16,060</u>	<u>\$ 13,705</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, 2021 and 2020, are primarily from foundations and news organizations and are as follows:

	2021	2020
Due in one year or less	\$ 265,000	\$ 250,000
Due in two through five years	40,000	75,000
Net pledges and grants receivable	<u>\$ 305,000</u>	<u>\$ 325,000</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. Subsequent to June 30, 2021, IRE received notification that the PPP loan was forgiven.

8. NET ASSETS WITH DONOR RESTRICTIONS

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

	2021	2020
Accumulated investment earnings	\$ 895,607	\$ 662,640
Subject to purpose or time restrictions	1,404,241	1,535,796
Total subject to time or purpose restrictions	2,299,848	2,198,436
Subject to perpetual restrictions - original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	3,869,828	3,469,047
	<u>\$ 6,169,676</u>	<u>\$ 5,667,483</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	
	2021	2020	2021	2020
John S. and James L. Knight Foundation grants:				
NFOIC Freedom of Information revolving fund	\$ 588,718	\$ 489,116	\$ -	\$ -
Knight endowment accumulated earnings	235,430	100,718	-	-
Conference support	-	102,295	26,452	85,111
TV grant	32,000	142,000	110,000	75,157
Pledges (time restricted)	305,000	300,000	75,000	-
Scholarships, fellowships, and trainings	744,876	519,692	68,897	77,300
Conference support	25,000	215,000	33,480	-
Workshops	65,241	184,741	194,500	408,480
Bootcamps	-	21,625	52,685	-
General endowment accumulated earnings	162,341	98,249	-	110,000
Other	141,242	25,000	5,780	-
Total net assets subject to purpose/time restrictions	<u>\$ 2,299,848</u>	<u>\$ 2,198,436</u>	<u>\$ 566,794</u>	<u>\$ 756,048</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.

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. IRE's endowment consists of approximately 30 individual funds established for a variety of purposes. 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. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

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:

	<u>2021</u>	<u>2020</u>
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	\$ 1,767,357	\$ 1,677,916
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	150,000	150,000
Gannett Foundation: to fund computer assisted investigative reporting training sessions	100,000	100,000
Nicholas B. Ottaway Foundation: to fund minority fellowships.	200,000	200,000
Las Vegas Sun: to fund investigative reporting training sessions	100,000	100,000
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	25,000	25,000
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	9,433	9,433
Rick Gevers-Karen Burns Diversity Fund for College Journalists: to fund IRE training, resources and support at Historically Black Colleges and Universities, Hispanic Serving Institutions, or training on other campuses sponsored by organizations serving students of color, or ethnic media organizations, or news organizations aimed at empowering and supporting student journalists of color.	152,560	-
General endowment: Cumulative individual donor contributions, some of which has been designated for specific purposes	<u>784,126</u>	<u>625,346</u>
Net assets subject to donor perpetual restrictions	<u><u>\$ 3,869,828</u></u>	<u><u>\$ 3,469,047</u></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.

Return Objectives and Spending Policy

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 Endowments

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. In accordance with generally accepted accounting principles, underwater endowments are to be reported as part of net assets with donor restrictions. There were no such deficiencies as of June 30, 2021 and 2020.

Endowment Financial Information

The composition of IRE's endowment by net asset classification as of June 30 is as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Purpose or Time Restricted	Perpetual	
2021				
Board-designated endowment funds	\$ 86,692	\$ 247,039	\$ -	\$ 333,731
Donor-restricted endowment funds:				
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	3,869,828	3,869,828
Accumulated investment gains	-	895,607	-	895,607
Total endowment funds	<u>\$ 86,692</u>	<u>\$ 1,142,646</u>	<u>\$ 3,869,828</u>	<u>\$ 5,099,166</u>

2020	Without	With Donor Restrictions		Total
	Donor Restrictions	Purpose or Time Restricted	Perpetual	
Board-designated endowment funds	\$ 18,952	\$ 227,134	\$ -	\$ 246,086
Donor-restricted endowment funds:				
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	-	3,469,047	3,469,047
Accumulated investment gains	-	662,640	-	662,640
Total endowment funds	<u>\$ 18,952</u>	<u>\$ 889,774</u>	<u>\$ 3,469,047</u>	<u>\$ 4,377,773</u>

The following is a summary of changes in endowment funds by net asset classification for the years ended June 30, 2021 and 2020:

	Without	With Donor Restrictions		Total
	Donor Restrictions	Purpose or Time Restricted	Perpetual	
Endowment net assets, July 1, 2019	\$ 17,221	\$ 1,013,232	\$ 3,454,757	\$ 4,485,210
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	18,952	889,774	3,469,047	4,377,773
Investment return	8,547	472,865	89,441	570,853
Contributions:				
Perpetual restrictions	-	-	160,242	160,242
Board designated for endowment	133	-	-	133
Reclassifications between restrictions	-	(151,098)	151,098	-
Transfers to create Board-designated endowment funds	59,060			59,060
Appropriated for expenditures	-	(68,895)	-	(68,895)
Endowment net assets, June 30, 2021	<u>\$ 86,692</u>	<u>\$ 1,142,646</u>	<u>\$ 3,869,828</u>	<u>\$ 5,099,166</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, fundraising 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, 2021:

Cash and cash equivalents	\$ 1,602,258
Investments	6,329,780
Accounts receivable	79,661
Pledges and grants receivable in one year or less	<u>265,000</u>
Financial assets at June 30, 2021	<u>8,276,699</u>
Less those unavailable for general expenditures within one year due to:	
Donor-restricted endowment fund	3,869,828
Donor-restricted for specific purpose	<u>2,074,848</u>
Total assets not available within one year	<u>5,944,676</u>
Total assets available within one year	<u><u>\$ 2,332,023</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, 2021 and 2020, any unexpended grant funds have been reported as contributions and are included in net assets with donor restrictions.

12. 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.