

**REPORT OF  
INVESTIGATIVE REPORTERS  
AND EDITORS, INC.**

**JUNE 30, 2016 and 2015**

## 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, 2016 and 2015, and the related statements of activities 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, 2016 and 2015, 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.

*Other Matter*

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 16 through 18 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*William H. Keppeler LLC*

February 14, 2017

# **INVESTIGATIVE REPORTERS AND EDITORS, INC.**

## **STATEMENTS OF FINANCIAL POSITION**

**June 30, 2016 and 2015**

<b>ASSETS</b>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 1,684,273	\$ 1,022,889
Accounts receivable	282,138	225,943
Prepaid expenses	25,330	18,375
Publications inventory	16,333	13,562
Pledges and grants receivable	102,239	799,573
Capital assets, net of accumulated depreciation of \$484,000 for 2016 and \$345,000 for 2015	583,322	375,470
Investments	<u>4,079,596</u>	<u>3,432,021</u>
Total assets	<u><u>\$ 6,773,231</u></u>	<u><u>\$ 5,887,833</u></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 347,309	\$ 313,635
Funds administered as a fiscal agent	254,981	-
Unearned revenues	<u>31,850</u>	<u>6,140</u>
Total liabilities	<u>634,140</u>	<u>319,775</u>
 <b>NET ASSETS</b>		
Unrestricted:		
Reserve funds	300,120	300,063
Other	<u>800,748</u>	<u>382,990</u>
Total unrestricted	1,100,868	683,053
Temporarily restricted	1,659,718	1,562,838
Permanently restricted	<u>3,378,505</u>	<u>3,322,167</u>
Total net assets	<u>6,139,091</u>	<u>5,568,058</u>
Total liabilities and net assets	<u><u>\$ 6,773,231</u></u>	<u><u>\$ 5,887,833</u></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, 2016

(with summarized totals for 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
<b>OPERATING ACTIVITIES</b>					
<b>REVENUE AND OTHER SUPPORT</b>					
Membership	\$ 290,333	\$ -	\$ -	\$ 290,333	\$ 276,074
Sales and services	148,679	-	-	148,679	103,592
Conferences and seminars	781,119	-	-	781,119	742,634
Contributions	129,879	1,244,572	-	1,374,451	2,041,405
Investment return	57	153,153	-	153,210	(18,981)
Awards contest entry fees	32,470	-	-	32,470	32,370
Net assets released from restrictions	1,300,845	(1,300,845)	-	-	-
Total revenue and other support	2,683,382	96,880	-	2,780,262	3,177,094
<b>EXPENSES</b>					
Program:					
Member services	117,631	-	-	117,631	163,306
Sales and services	723,405	-	-	723,405	688,032
Conferences and seminars	736,523	-	-	736,523	755,482
Awards contest	20,187	-	-	20,187	12,721
Total program expense	1,597,746	-	-	1,597,746	1,619,541
General and administrative	578,772	-	-	578,772	512,124
Fund-raising	72,911	-	-	72,911	61,317
Total expenses	2,249,429	-	-	2,249,429	2,192,982
Excess of operating revenues and other support over expenses	433,953	96,880	-	530,833	984,112
<b>NONOPERATING ACTIVITIES</b>					
Contributions	-	-	39,295	39,295	67,050
Investment return	-	-	17,043	17,043	-
Loss on disposal of assets	(16,138)	-	-	(16,138)	-
Increase in net assets	417,815	96,880	56,338	571,033	1,051,162
Net assets at beginning of year	683,053	1,562,838	3,322,167	5,568,058	4,516,896
Net assets at end of year	\$ 1,100,868	\$ 1,659,718	\$ 3,378,505	\$ 6,139,091	\$ 5,568,058

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

# INVESTIGATIVE REPORTERS AND EDITORS, INC.

## STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>OPERATING ACTIVITIES</b>				
<b>REVENUE AND OTHER SUPPORT</b>				
Membership	\$ 276,074	\$ -	\$ -	\$ 276,074
Sales and services	103,592	-	-	103,592
Conferences and seminars	742,634	-	-	742,634
Contributions	41,385	2,000,020	-	2,041,405
Investment return	63	(19,044)	-	(18,981)
Awards contest entry fees	32,370	-	-	32,370
Net assets released from restrictions	1,318,654	(1,318,654)	-	-
Total revenue and other support	<u>2,514,772</u>	<u>662,322</u>	<u>-</u>	<u>3,177,094</u>
<b>EXPENSES</b>				
Program:				
Member services	163,306	-	-	163,306
Sales and services	688,032	-	-	688,032
Conferences and seminars	755,482	-	-	755,482
Awards contest	12,721	-	-	12,721
Total program expense	1,619,541	-	-	1,619,541
General and administrative	512,124	-	-	512,124
Fund-raising	61,317	-	-	61,317
Total expenses	<u>2,192,982</u>	<u>-</u>	<u>-</u>	<u>2,192,982</u>
Excess of operating revenues and other support over expenses	321,790	662,322	-	984,112
<b>NONOPERATING ACTIVITIES</b>				
Contributions	-	-	67,050	67,050
Increase in net assets	321,790	662,322	67,050	1,051,162
Net assets at beginning of year	361,263	900,516	3,255,117	4,516,896
Net assets at end of year	<u>\$ 683,053</u>	<u>\$ 1,562,838</u>	<u>\$ 3,322,167</u>	<u>\$ 5,568,058</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, 2016 and 2015

	2016	2015
OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 571,033	\$ 1,051,162
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation expense	170,664	93,840
Realized and unrealized investment (gain) loss	(15,082)	160,880
Loss on disposal of equipment	16,138	-
Permanently restricted contributions	(39,295)	(67,050)
Reinvested endowment earnings	(17,043)	-
(Increases) decreases in operating assets and		
Increases (decreases) in operating liabilities:		
Accounts receivable	(56,195)	(4,295)
Pledges and grants receivable	697,334	(605,667)
Prepaid expenses	(6,955)	4,009
Publications inventory	(2,771)	2,572
Accounts payable	33,674	(68,754)
Funds administered as a fiscal agent	254,981	-
Unearned revenues	25,710	(14,385)
Net cash provided (used) by operating activities	<u>1,632,193</u>	<u>552,312</u>
INVESTING ACTIVITIES		
Capital asset additions	(394,654)	(243,556)
Purchases of investments	(1,020,357)	(520,160)
Sales of investments	387,864	278,146
Net cash (used) by investing activities	<u>(1,027,147)</u>	<u>(485,570)</u>
FINANCING ACTIVITIES		
Cash collected from permanently restricted contributions	39,295	67,050
Reinvested endowment earnings	17,043	-
Net cash provided by financing activities	<u>56,338</u>	<u>67,050</u>
Net increase (decrease) in cash and cash equivalents	661,384	133,792
Cash and cash equivalents, beginning of year	<u>1,022,889</u>	<u>889,097</u>
Cash and cash equivalents, end of year	<u>\$ 1,684,273</u>	<u>\$ 1,022,889</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.

*Financial statement presentation:* The accompanying financial statements are prepared on the accrual basis of accounting. In accordance with U.S. generally accepted accounting principles for not-for-profit organizations, IRE reports its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted. The classification of net assets as temporarily or permanently restricted is based on the existence of donor-imposed stipulations that specify a use for a contributed asset that is more specific than broad limits resulting from IRE's basic mission and the environment in which it operates. Assets without donor-imposed restrictions, including assets designated for specific use by IRE's Board of Directors, are included in unrestricted net assets.

Temporary restrictions are donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of IRE pursuant to those stipulations. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Permanent restrictions are donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of IRE.

*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 insured by the Federal Deposit Insurance Corporation (FDIC).

*Investments:* Equity securities with readily determinable fair values and debt securities are reported in the financial statements at fair value. Fair value represents the estimated market value of the underlying securities and is generally obtained from IRE's investment manager, who obtains quoted market prices and dealer quotes.

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



*Receivables:* IRE records an allowance for estimated uncollectible accounts when necessary. At June 30, 2016 and 2015, 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.

*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, 2013 through 2016. 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, 2016 have been evaluated through February 14, 2017, which is the date the financial statements were available to be issued.

## 2. CASH AND INVESTMENTS

	2016	2015
Cash and cash equivalents:		
Checking:		
Reserve funds portion	\$ 100,041	\$ 100,041
Other	1,383,678	722,351
Interest-bearing cash account:		
Reserve funds portion	200,079	200,022
Petty cash fund	475	475
Total cash and cash equivalents	<u>\$ 1,684,273</u>	<u>\$ 1,022,889</u>
Long-term investment portfolio:		
Cash sweep accounts	\$ 698,260	\$ 212,891
Common and preferred stocks	982,654	884,119
Master ltd. partnership	38,070	-
Corporate and municipal bonds	2,360,612	2,335,011
Total long-term investments	<u>\$ 4,079,596</u>	<u>\$ 3,432,021</u>
Long-term investment portfolio consists of:		
Investments under IRE's sole control	\$ 3,618,964	\$ 3,432,021
Investments limited as to use (FOI revolving fund - see Note 6)	460,632	-
	<u>\$ 4,079,596</u>	<u>\$ 3,432,021</u>

Components of investment return:

Interest and dividends, less investment fees	\$ 155,171	\$ 141,899
Net investment gains (losses)	<u>15,082</u>	<u>(160,880)</u>
	<u>\$ 170,253</u>	<u>\$ (18,981)</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

For assets and liabilities required to be reported at fair value, generally accepted accounting principles prescribes a framework for measuring fair value and for making financial statement disclosures about fair value. 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 fair value hierarchy as prescribed by generally accepted accounting principles is as follows:

- Level 1 Valuation is based upon quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access within 90 days of the measurement date.
- Level 2 Valuation is based upon quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.
- Level 3 Valuation is 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, because there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. 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.

IRE's assets measured at fair value on a recurring basis as of June 30, 2016 and 2015, aggregated by the level in the fair value hierarchy within which those measurements fall, are as follows:

Description	Total	Level 1	Level 2	Level 3
2016:				
Common and preferred stocks:				
Financial services	\$ 40,950	\$ 40,950	\$ -	\$ -
Industrial materials	245,504	245,504	-	-
Energy	186,272	186,272	-	-
Transportation	58,924	58,924	-	-
Utilities	70,974	70,974	-	-
Health care	134,690	134,690	-	-
Consumer goods	16,934	16,934	-	-
Communications	176,563	176,563	-	-
Food and Beverage	51,843	51,843	-	-
Master ltd. partnership - energy	38,070	38,070	-	-
Corporate bonds	2,309,622	-	2,309,622	-
Municipal bonds	50,990	-	50,991	-
Total investments at fair value	3,381,336	<u>\$ 1,020,724</u>	<u>\$ 2,360,613</u>	<u>\$ -</u>
Cash sweep accounts	698,260			
Total investment portfolio	<u>\$ 4,079,596</u>			

Description	Total	Level 1	Level 2	Level 3
2015:				
Common and preferred stocks:				
Financial services	\$ 63,602	\$ 63,602	\$ -	\$ -
Industrial materials	162,913	162,913	-	-
Energy	195,628	195,628	-	-
Transportation	63,220	63,220	-	-
Utilities	58,216	58,216	-	-
Health Care	115,920	115,920	-	-
Consumer goods	15,648	15,648	-	-
Communications	189,390	189,311	-	-
Food and Beverage	19,582	19,582	-	-
Corporate bonds	2,275,851	-	2,275,851	-
Municipal bonds	59,160	-	59,160	-
Total investments at fair value	3,219,130	<u>\$ 884,040</u>	<u>\$ 2,335,011</u>	<u>\$ -</u>
Cash sweep accounts	212,891			
Total investment portfolio	<u>\$ 3,432,021</u>			

Level 1 classifications for IRE consist of common stocks and preferred stocks where fair value is based on quoted prices in active markets.

Level 2 classifications for IRE consist of corporate and municipal bonds where fair value is determined using other observable inputs.

#### 4. CAPITAL ASSETS

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

	2016	2015
Computers and other equipment	\$ 88,406	\$ 133,016
IRE website	15,000	15,000
Document Cloud website	572,474	344,513
Total in service, at cost	675,880	492,529
Less accumulated depreciation	(484,160)	(345,020)
Total in service, net of depreciation	191,720	147,509
Document Cloud website improvements not yet placed in service	391,602	227,961
Total capital assets, net of depreciation	<u>\$ 583,322</u>	<u>\$ 375,470</u>

Depreciation expense of \$170,664 and \$93,840 was recorded for the years ended June 30, 2016 and 2015, respectively.

#### 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, 2016 and 2015 are primarily from foundations and news organizations and are as follows:

	2016	2015
Due in one year or less	\$ 102,239	\$ 799,573
Net pledges and grants receivable	<u>\$ 102,239</u>	<u>\$ 799,573</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. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets represent resources either expendable only for purposes specified by the donor or subject to a donor's time restrictions as to when they are available for expenditure. The following represent the temporarily restricted net assets at June 30, 2016 and 2015:

	2016	2015
Non-endowment contributions:		
John S. and James L. Knight Foundation grants:		
Conference support	\$ -	\$ 84,475
Panda project	9,367	9,367
Document Cloud additional grants (see note below)	384,927	1,002,952
Open Elections	-	8,064
Census	13,787	25,484
NFOIC Freedom of Information revolving fund	460,632	-
Ethics & Excellence grants:		
Watchdog Workshops support	108,000	108,000
Lumina Foundation:		
Conference support	-	5,000
Gannett Foundation: Contest awards	-	5,000
The Kohlberg Foundation	150,000	148,740
Project Word:		
Proteus Fund grant	-	15,947
RSF Social Finance contribution	130,593	1,000
Other contributions	650	200
Open Elections:		
Sunlight Foundation grant	10,000	10,000
Other contributions	250	250
Ford Foundation (time restricted)	100,000	-
Accumulated unappropriated earnings on endowment funds (see Note 7)	291,512	138,359
	<u>\$ 1,659,718</u>	<u>\$ 1,562,838</u>
Total temporarily restricted net assets		

Document Cloud: For the Document Cloud project, the Knight Foundation awarded IRE an additional grant of \$1,404,000 for the grant period of July 1, 2014 through June 30, 2016. As of June 30, 2016, \$1,396,000 of the funds had been received and the remaining portion, \$8,000, was withheld by Knight to fund an audit of the grant. The entire grant, net of the \$8,000, was recorded as temporarily restricted contribution revenue in the Statement of Activities for the fiscal year ended June 30, 2015.

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.

Temporarily restricted net assets are reclassified as additions to unrestricted net assets in the Statement of Activities upon satisfaction of purpose and/or time restrictions placed by donors on their respective contributions and related investment return. The following summarizes the releases from restrictions for the years ended June 30:

	2016	2015
Expenditures meeting purpose restrictions:		
From non-endowment contributions	\$ 1,300,845	\$ 1,168,654
From accumulated earnings on endowment funds	-	150,000
	<u>\$ 1,300,845</u>	<u>\$ 1,318,654</u>

## 8. ENDOWMENT FUNDS

Endowment funds consist of contributions that the donors have required to be maintained in perpetuity, including any outstanding donor pledges of endowment contributions. 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.

### *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 classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent 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, the remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for 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 money market funds and equity and fixed income securities traded in public markets is used to achieve these objectives.

### *Funds with Deficiencies*

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. Because the portion of an endowment that is deemed to be permanently restricted for financial reporting purposes cannot be decreased by such decreases in fair value, deficiencies of this nature are charged against unrestricted net assets.

The following is a summary of changes in endowment funds for the years ended June 30, 2016 and 2015.  
All endowment funds are donor-restricted.

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, July 1, 2014	\$ 307,403	\$ 3,255,117	\$ 3,562,520
Investment return:			
Investment income, net	141,836	-	141,836
Net (depreciation) - realized and unrealized	(160,880)	-	(160,880)
Contributions	-	67,050	67,050
Appropriated for expenditures	(150,000)	-	(150,000)
Endowment net assets, June 30, 2015	138,359	3,322,167	3,460,526
Investment return:			
Investment income, net	138,071	17,043	155,114
Net appreciation - realized and unrealized	15,082	-	15,082
Contributions	-	39,295	39,295
Endowment net assets, June 30, 2016	<u>\$ 291,512</u>	<u>\$ 3,378,505</u>	<u>\$ 3,670,017</u>

The following is a summary of changes in endowments by net asset classification for the years ended June 30, 2016 and 2015:

	Long-term Investment Portfolio	Temporary Cash Funds	Pledges Receivable	Total
Balance, July 1, 2014	\$ 3,350,808	\$ 211,712	\$ -	\$ 3,562,520
Contributions and change in discount	-	67,050	-	67,050
Investment return:				
Income	141,836	-	-	141,836
Appreciation (depreciation)	(160,880)	-	-	(160,880)
Expenditures	(150,000)	-	-	(150,000)
Investment of permanently restricted funds	229,384	(229,384)	-	-
Transfers	20,794	(20,794)	-	-
Balance, June 30, 2015	3,431,942	28,584	-	3,460,526
Contributions and change in discount	-	39,295	-	39,295
Investment return:				
Income	155,114	-	-	155,114
Appreciation (depreciation)	15,082	-	-	15,082
Investment of permanently restricted funds	-	-	-	-
Transfers	16,747	(16,747)	-	-
Balance, June 30, 2016	<u>\$ 3,618,885</u>	<u>\$ 51,132</u>	<u>\$ -</u>	<u>\$ 3,670,017</u>

The following are the permanently restricted amounts of donor restricted endowment funds maintained by IRE, including any outstanding pledges of contributions that are permanently restricted:

	<u>2016</u>	<u>2015</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	\$ 1,504,499	\$ 1,487,456
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	92,224	92,224
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.	9,382	9,382
General endowment: Cumulative individual donor contributions, some of which has been designated for specific purposes	<u>722,400</u>	<u>683,105</u>
Total permanently restricted portion of donor restricted endowment funds	<u>\$ 3,378,505</u>	<u>\$ 3,322,167</u>

## 9. 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 temporarily restricted net assets. As of June 30, 2016 and 2015, any unexpended grant funds have been reported as contributions and are included in temporarily restricted net assets.



INVESTIGATIVE REPORTERS AND EDITORS, INC.

COMBINED SCHEDULE OF PROGRAM ACTIVITY AND FUNCTIONAL EXPENSES  
Years Ended June 30, 2016 and 2015

	2016			2015		
	IRE	NICAR	Total	IRE	NICAR	Total
Membership						
Revenue						
Membership	\$ 94,762	\$ -	\$ 94,762	\$ 92,200	\$ -	\$ 92,200
Membership - student	14,945	-	14,945	13,345	-	13,345
Membership - international	11,512	-	11,512	8,407	-	8,407
Renewals	146,014	-	146,014	138,171	-	138,171
Renewals - student	8,870	-	8,870	6,515	-	6,515
Renewals - international	9,395	-	9,395	10,904	-	10,904
Non-member journal subscriptions and advertising	4,835	-	4,835	6,532	-	6,532
Total membership revenue	290,333	-	290,333	276,074	-	276,074
Service expenses						
IRE Journal	40,767	-	40,767	33,353	-	33,353
Salary and personnel costs	74,764	-	74,764	128,553	-	128,553
Postage and shipping	2,100	-	2,100	1,400	-	1,400
Total membership service expense	117,631	-	117,631	163,306	-	163,306
Net membership activity	172,702	-	172,702	112,768	-	112,768
Sales and services						
Book sales	27,023	-	27,023	25,893	-	25,893
Book costs	18,149	-	18,149	25,554	-	25,554
Net book activity	8,874	-	8,874	339	-	339
Resource center sales	37,895	-	37,895	9,202	-	9,202
Resource center expenses	55,775	-	55,775	68,353	-	68,353
Net resource center activity	(17,880)	-	(17,880)	(59,151)	-	(59,151)
Web services revenue	35,001	-	35,001	21,275	-	21,275
Current year contributions	20,000	-	20,000	20,000	-	20,000
Prior year contributions released from restrictions	20,000	-	20,000	20,000	-	20,000
Current year contributions not released from restrictions	(20,000)	-	(20,000)	(20,000)	-	(20,000)
Web services expenses	69,690	-	69,690	57,192	-	57,192
Net web services activity	(14,689)	-	(14,689)	(15,917)	-	(15,917)
Database library revenue	-	23,245	23,245	-	31,130	31,130
Database library expenses	-	72,212	72,212	-	82,383	82,383
Net database library activity	-	(48,967)	(48,967)	-	(51,253)	(51,253)
Uplink subscription revenue	-	4,160	4,160	-	7,290	7,290
Net uplink activity	-	4,160	4,160	-	7,290	7,290
Royalty revenue	4,898	-	4,898	4,189	-	4,189
Open Elections:						
Current year contributions	-	-	-	10,250	-	10,250
Prior year contributions released from restrictions	8,064	-	8,064	61,613	-	61,613
Current year contributions not released from restrictions	-	-	-	(10,250)	-	(10,250)
Open Election expenses	8,064	-	8,064	61,618	-	61,618
Net Open Election activity	-	-	-	(5)	-	(5)
Census:						
Prior year contributions released from restrictions	11,696	-	11,696	42,754	-	42,754
Census expenses	11,696	-	11,696	42,754	-	42,754
Net Census activity	-	-	-	-	-	-
Project Word:						
Current year contributions	200,450	-	200,450	97,520	-	97,520
Prior year contributions released from restrictions	16,947	-	16,947	-	-	-
Current year contributions not released from restrictions	(131,042)	-	(131,042)	(17,147)	-	(17,147)
Project Word expenses	86,355	-	86,355	80,373	-	80,373
Net Project Word activity	-	-	-	-	-	-
Google:						
Prior year contributions released from restrictions	-	-	-	5,975	-	5,975
Net Google activity	-	-	-	5,975	-	5,975
Document Cloud:						
Current year contributions	-	-	-	1,396,000	-	1,396,000
Prior year contributions released from restrictions	618,025	-	618,025	19,753	-	19,753
Current year contributions not released from restrictions	-	-	-	(1,002,952)	-	(1,002,952)
Document Cloud expenses:						
Total expenditures	624,371	-	624,371	412,802	-	412,802
Less website costs capitalized	(391,602)	-	(391,602)	(227,961)	-	(227,961)
Website depreciation expense	160,241	-	160,241	84,254	-	84,254
Net Document Cloud activity	225,015	-	225,015	143,706	-	143,706
NFOIC:						
Current year contributions	460,632	-	460,632	-	-	-
Current year contributions not released from restrictions	(460,632)	-	(460,632)	-	-	-
NFOIC activity	-	-	-	-	-	-
Panda Project:						
Prior year contributions released from restrictions	-	-	-	710	-	710
Panda Project expenses	-	-	-	710	-	710
Net Panda Project activity	-	-	-	-	-	-
Net other sales and services revenue	8,003	-	8,003	4,613	-	4,613
Net sales and services activity	214,221	(44,807)	169,414	83,749	(43,963)	39,786

INVESTIGATIVE REPORTERS AND EDITORS, INC.

COMBINED SCHEDULE OF PROGRAM ACTIVITY AND FUNCTIONAL EXPENSES - CONTINUED  
Years Ended June 30, 2016 and 2015

	2016			2015		
	IRE	NICAR	Total	IRE	NICAR	Total
Conferences and seminars						
National conference						
Registrations and fees	362,578	209,307	571,885	327,251	174,475	501,726
Optional CAR Day	-	20,409	20,409	-	13,825	13,825
Other revenues	24,020	18,461	42,481	20,171	11,570	31,741
Current year contributions	194,990	24,500	219,490	199,500	22,500	222,000
Prior year contributions released from restrictions	89,475	-	89,475	98,333	-	98,333
Current year contributions not released from restrictions	-	-	-	(5,000)	-	(5,000)
Total national conference revenues	671,063	272,677	943,740	640,255	222,370	862,625
Conference expenses	208,511	179,611	388,122	246,462	136,900	383,362
Net national conference activity	462,552	93,066	555,618	393,793	85,470	479,263
On the road seminars						
Registrations and fees	-	40,046	40,046	-	122,217	122,217
Current year contributions	-	251,000	251,000	-	174,250	174,250
Prior year contributions released from restrictions	-	148,740	148,740	-	106,124	106,124
Current year contributions not released from restrictions	-	(150,000)	(150,000)	-	(148,740)	(148,740)
Seminar expenses	-	214,462	214,462	-	253,858	253,858
Net on the road seminar activity	-	75,324	75,324	-	(7)	(7)
Bootcamps						
Registrations and fees	-	81,617	81,617	-	52,635	52,635
Seminar expenses	-	41,650	41,650	-	31,865	31,865
Net bootcamp activity	-	39,967	39,967	-	20,770	20,770
Watchdog conferences						
Registrations and fees	24,681	-	24,681	20,490	-	20,490
Current year contributions	93,000	-	93,000	80,000	-	80,000
Prior year contributions released from restrictions	80,000	-	80,000	80,000	-	80,000
Current year contributions not released from restrictions	(80,000)	-	(80,000)	(80,000)	-	(80,000)
Conference expenses	81,749	-	81,749	81,174	-	81,174
Net watchdog conference activity	35,932	-	35,932	19,316	-	19,316
Lumina						
Prior year contributions released from restrictions	5,000	-	5,000	17,461	-	17,461
Net lumina activity	5,000	-	5,000	17,461	-	17,461
Other conference and seminar expenses	10,540	-	10,540	5,223	-	5,223
Net other conference and seminar activity	(10,540)	-	(10,540)	(5,223)	-	(5,223)
Net conferences and seminars activity	492,944	208,357	701,301	425,347	106,233	531,580

INVESTIGATIVE REPORTERS AND EDITORS, INC.

COMBINED SCHEDULE OF PROGRAM ACTIVITY AND FUNCTIONAL EXPENSES - CONTINUED  
Years Ended June 30, 2016 and 2015

	2016			2015		
	IRE	NICAR	Total	IRE	NICAR	Total
Other grants and contributions						
In-kind	12,000	-	12,000	12,000	-	12,000
Current year contributions	117,879	-	117,879	29,385	-	29,385
Total other grants and contributions	129,879	-	129,879	41,385	-	41,385
Other support and revenues						
Award contest fees	32,470	-	32,470	32,370	-	32,370
Award contest expenses	20,187	-	20,187	12,721	-	12,721
Net award contest activity	12,283	-	12,283	19,649	-	19,649
Investment return	153,210	-	153,210	(18,981)	-	(18,981)
Loss on disposal of assets	(16,138)	-	(16,138)	-	-	-
Net other support and revenue	149,355	-	149,355	668	-	668
Net program activity	1,159,101	163,550	1,322,651	663,917	62,270	726,187
General and administrative expenses						
Salary and personnel costs	373,595	-	373,595	309,466	-	309,466
Professional services						
Consulting	4,618	-	4,618	6,114	-	6,114
Accounting	20,410	-	20,410	18,937	-	18,937
Legal	15,879	-	15,879	17,451	-	17,451
Total professional services	40,907	-	40,907	42,502	-	42,502
General office expenses						
Telephone and fax	7,463	-	7,463	4,533	3,288	7,821
Postage	2,733	744	3,477	7,088	3,358	10,446
Office supplies	2,386	-	2,386	2,880	-	2,880
Photocopying	2,536	-	2,536	3,290	-	3,290
Computer software and support	17,119	-	17,119	15,959	-	15,959
Equipment expense	-	-	-	284	-	284
Office space, utilities - in-kind	12,000	-	12,000	12,000	-	12,000
Credit card service fees	44,489	-	44,489	37,323	-	37,323
Other office expense	56,665	-	56,665	53,219	106	53,325
Total general office expense	145,391	744	146,135	136,576	6,752	143,328
Other expenses						
Publications	107	-	107	120	-	120
Travel costs - board	4,232	-	4,232	4,111	-	4,111
Travel costs - staff	3,373	-	3,373	3,011	-	3,011
Non-program depreciation expense	10,423	-	10,423	9,586	-	9,586
Total other expenses	18,135	-	18,135	16,828	-	16,828
Total general and administrative expenses	578,028	744	578,772	505,372	6,752	512,124
Fund-raising expenses:						
Salary and personnel costs	72,911	-	72,911	61,317	-	61,317
Other	-	-	-	-	-	-
Total fund-raising expenses	72,911	-	72,911	61,317	-	61,317
Excess of operating revenues over expenses	508,162	162,806	670,968	97,228	55,518	152,746
Prior year contributions released from restrictions	(849,207)	(148,740)	(997,947)	(346,599)	(106,124)	(452,723)
Current year contributions not released from restrictions	841,674	-	841,674	1,284,089	-	1,284,089
Permanently restricted contributions	39,295	-	39,295	67,050	-	67,050
Investment return added to endowment	17,043	-	17,043	-	-	-
Total net assets (deficit), beginning	5,575,787	(7,729)	5,568,058	4,474,019	42,877	4,516,896
Total net assets (deficit), ending	\$ 6,132,754	\$ 6,337	\$ 6,139,091	\$ 5,575,787	\$ (7,729)	\$ 5,568,058