

Religion News Foundation

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2019 and 2018



Religion News Foundation

June 30, 2019 and 2018

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Independent Auditor's Report

Board of Trustees
Religion News Foundation
Columbia, Missouri

We have audited the accompanying consolidated financial statements of Religion News Foundation, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Board of Trustees
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Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Religion News Foundation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

BKD, LLP

Kansas City, Missouri
September 19, 2019

Religion News Foundation
Consolidated Statements of Financial Position
June 30, 2019 and 2018

Assets

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 3,701,314	\$ 1,661,626
Accounts receivable	28,714	11,916
Grants and contributions receivable	1,483,000	37,892
Investments	-	192,114
Prepaid and other assets	788,201	35,350
Total current assets	6,001,229	1,938,898
Non-current Assets		
Furniture and equipment, net of accumulated depreciation; 2019 - \$17,958, 2018 - \$17,597	28,574	6,109
Intangible assets, net of accumulated amortization; 2019 - \$257,780, 2018 - \$244,830	53,397	58,472
Prepaid and other assets	117,050	-
Total non-current assets	199,021	64,581
Total assets	\$ 6,200,250	\$ 2,003,479

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 209,453	\$ 67,409
Accrued expenses	63,204	42,050
Deferred revenue	19,012	15,952
Total current liabilities	291,669	125,411
Net Assets		
Without donor restrictions	4,674	581,302
With donor restrictions	5,903,907	1,296,766
Total net assets	5,908,581	1,878,068
Total liabilities and net assets	\$ 6,200,250	\$ 2,003,479

Religion News Foundation
Consolidated Statements of Activities
Years Ended June 30, 2019 and 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support						
Grants	\$ -	\$ 6,450,095	\$ 6,450,095	\$ -	\$ 74,507	\$ 74,507
Contributions	69,723	256,960	326,683	107,257	40,195	147,452
Advertisement income	5,294	-	5,294	20,878	-	20,878
Program income	192,833	-	192,833	222,437	-	222,437
Contractual income	5,944	-	5,944	33,494	-	33,494
Investment income	29,904	-	29,904	23,225	-	23,225
Miscellaneous loss	(1,366)	-	(1,366)	(3,941)	-	(3,941)
Net assets released from restrictions	2,040,594	(2,040,594)	-	1,714,353	(1,714,353)	-
Total revenues, gains and other support	<u>2,342,926</u>	<u>4,666,461</u>	<u>7,009,387</u>	<u>2,117,703</u>	<u>(1,599,651)</u>	<u>518,052</u>
Expenses and Losses						
Program services	<u>2,207,821</u>	<u>59,320</u>	<u>2,267,141</u>	<u>1,625,743</u>	<u>-</u>	<u>1,625,743</u>
Management and general	497,380	-	497,380	389,492	-	389,492
Fundraising	<u>214,353</u>	<u>-</u>	<u>214,353</u>	<u>89,254</u>	<u>-</u>	<u>89,254</u>
Total support services	<u>711,733</u>	<u>-</u>	<u>711,733</u>	<u>478,746</u>	<u>-</u>	<u>478,746</u>
Total expenses and losses	<u>2,919,554</u>	<u>59,320</u>	<u>2,978,874</u>	<u>2,104,489</u>	<u>-</u>	<u>2,104,489</u>
Change in Net Assets	(576,628)	4,607,141	4,030,513	13,214	(1,599,651)	(1,586,437)
Net Assets, Beginning of Year	<u>581,302</u>	<u>1,296,766</u>	<u>1,878,068</u>	<u>568,088</u>	<u>2,896,417</u>	<u>3,464,505</u>
Net Assets, End of Year	<u>\$ 4,674</u>	<u>\$ 5,903,907</u>	<u>\$ 5,908,581</u>	<u>\$ 581,302</u>	<u>\$ 1,296,766</u>	<u>\$ 1,878,068</u>

Religion News Foundation
Consolidated Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and fringe benefits	\$ 712,890	\$ 235,437	\$ 66,273	\$ 1,014,600
Contract services	1,128,966	216,128	93,310	1,438,404
Equipment and technology	72,984	24,103	6,784	103,871
Travel, training and meetings	146,837	-	41,874	188,711
Bad debt expense	59,320	-	-	59,320
Overhead	146,144	21,712	6,112	173,968
	\$ 2,267,141	\$ 497,380	\$ 214,353	\$ 2,978,874

Total expenses included in the
expense section on the
statement of activities

	2018			
	Program Services	Management and General	Fundraising	Total Expenses
Salaries and fringe benefits	\$ 784,568	\$ 195,818	\$ 72,823	\$ 1,053,209
Contract services	449,625	155,685	-	605,310
Equipment and technology	51,538	20,526	7,634	79,698
Travel, training and meetings	211,553	-	2,303	213,856
Overhead	128,459	17,463	6,494	152,416
	\$ 1,625,743	\$ 389,492	\$ 89,254	\$ 2,104,489

Total expenses included in the
expense section on the
statement of activities

Religion News Foundation
Consolidated Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Operating Activities		
Change in net assets	\$ 4,030,513	\$ (1,586,437)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	18,636	6,408
Loss on disposal of equipment	1,366	3,941
Net realized and unrealized (gains) losses on investments	6,228	(13,833)
Changes in		
Accounts, grants and contributions receivable	(1,461,906)	(253)
Prepaid and other assets	(869,901)	(35,350)
Accounts payable	151,072	(283,867)
Accrued expenses	21,154	(36,918)
Deferred revenue	3,060	(5,655)
	<u>1,900,222</u>	<u>(1,951,964)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Purchase of investments	(1,387)	(4,269)
Purchase of property and equipment	(29,517)	-
Purchase of intangible assets	(16,903)	(49,442)
Proceeds from the deposition of investments	187,273	-
	<u>139,466</u>	<u>(53,711)</u>
Net cash provided by (used in) investing activities		
Change in Cash and Cash Equivalents	2,039,688	(2,005,675)
Cash and Cash Equivalents, Beginning of Year	<u>1,661,626</u>	<u>3,667,301</u>
Cash and Cash Equivalents, End of Year	<u>\$ 3,701,314</u>	<u>\$ 1,661,626</u>
Supplemental Cash Flows Information		
Intangible asset purchases in accounts payable	\$ -	\$ 9,028

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Religion News Foundation (the “Organization”) is an Ohio nonprofit corporation exempt from Federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the “Code”). The Organization is a charitable and educational organization that was organized to support and carry out the charitable and educational purposes of the Religious News Association (“RNA”) and it supports RNA by advancing public understanding of religion by means of informative media, resources, programs, including conferences, seminars and discussion groups for reporters, editors, other members of the secular news media and the general public, and facilitating, informing and improving religious literacy and encouraging public discourse about religion in a neutral and informative way without endorsing or promoting any particular religion, sect, denomination, practice or point of view. For Federal income tax purposes, the Internal Revenue Service has determined that the Organization is a Type I supporting organization under Section 509(a)(3) of the Code.

The Organization wholly owns Religion News Services, LLC (“RNS”), a publisher of global news on religion, spirituality, culture and ethics, reported by a staff of journalists. For Federal income tax purposes, as a single member limited liability company, RNS is disregarded for federal income tax purposes and all of its activities are attributable to, and reported by, the Organization.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Religion News Foundation and its wholly owned subsidiary, RNS. All intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2019 and 2018, cash equivalents consisted primarily of money market accounts with brokers.

At June 30, 2019, the Organization’s cash accounts exceeded federally insured limits by approximately \$44,000.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as with donor restrictions and then released from restriction.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts past due more than 30 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. Based upon a review of outstanding receivables, historical collection information and existing economic conditions, the Organization considers all accounts receivable to be fully collectible and, accordingly, no allowance has been recorded.

Grants and Contributions Receivable

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue. As of June 30, 2019 and 2018, all grants and contributions receivable were due within one year.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

Furniture and Equipment

Furniture and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset.

Intangible Assets

Intangible assets with finite lives are being amortized on the straight-line basis over periods ranging from three to five years. Such assets are periodically evaluated as to the recoverability of their carrying values.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Long-lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Deferred Revenue

Revenue from fees for subscriptions included in program income is deferred and recognized over the periods to which the fees relate.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor- or grantor-imposed restrictions. Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. Net assets with donor restrictions are subject to donor- or certain grantor-imposed restrictions. Donor and grantor-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 or grantor.

Grants and Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as revenue with donor restrictions and then released from restriction.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions as net assets without donor restrictions are reported when the long-lived assets are placed in service. No donations of property or equipment were received during the years ended June 30, 2019 and 2018.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Advertising, Program and Contractual Income

The Organization sells subscriptions to the Religion News publication and subscribers are invoiced at the beginning of the period for the monthly, quarterly or annual term of the subscription. Revenue is recognized on a straight-line basis over the term of the subscription.

Revenues from advertising sales or other contractual arrangements are recognized as services are provided.

In-kind Contributions

In addition to receiving cash contributions, the Organization receives in-kind contributions of free use of facilities, utilities, janitorial services and accounting services (specifically as it relates to overseeing payroll processing) from the University of Missouri (a related party through the execution of an affiliation agreement). It is the policy of the Organization to record the estimated fair value of certain in-kind donations as an expense in its consolidated financial statements, and similarly increase contribution revenue by a like amount. For the years ended June 30, 2019 and 2018, \$29,851 and \$50,670, respectively, was received in in-kind contributions.

Income Taxes

The Organization is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the estimate of time spent on each area and other methods.

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation. These reclassifications had no effect on the change in net assets.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 2: Fair Value Measurements and Disclosures

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. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2018:

	Fair Value Measurements Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2018			
Investments - Exchange traded funds	\$ 192,114	\$ 192,114	\$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2019.

Religion News Foundation
Notes to Consolidated Financial Statements
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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Note 3: Furniture and Equipment

Furniture and equipment at June 30 consists of:

	2019	2018
Furniture and equipment	\$ 46,532	\$ 23,706
Less: accumulated depreciation	(17,958)	(17,597)
	\$ 28,574	\$ 6,109

Depreciation expense for the years ended June 30, 2019 and 2018, was \$5,686 and \$5,456, respectively.

Note 4: Intangible Assets

The Organization has contracted with outside vendors to provide design and development services for the website. In addition, the Organization has acquired rights to various internet domain names. Intangible assets at June 30 consists of:

	2019	2018
Website development	\$ 311,177	\$ 303,302
Less: accumulated amortization	(257,780)	(244,830)
	\$ 53,397	\$ 58,472

Amortization expense for the years ended June 30, 2019 and 2018, was \$12,950 and \$952, respectively.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 5: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30 are restricted for the following purposes or periods:

	<u>2019</u>	<u>2018</u>
Subject to expenditure for specified purpose		
Scholarships	\$ 42,977	\$ 46,928
Article themes and topics	23,027	127,590
Human resources and technological advances	4,354,903	1,122,248
Promises to give, the proceeds from which have been restricted by donors and grantors for		
Article themes and topics	385,000	-
Human resources and technological advances	<u>1,098,000</u>	<u>-</u>
Total net assets with donor restrictions	<u>\$ 5,903,907</u>	<u>\$ 1,296,766</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2019</u>	<u>2018</u>
Satisfaction of purpose restrictions		
Scholarships	\$ 7,757	\$ 79,113
Article themes and topics	396,816	230,070
Human resources and technological advances	<u>1,636,021</u>	<u>1,405,170</u>
Total net assets released from restrictions	<u>\$ 2,040,594</u>	<u>\$ 1,714,353</u>

Note 6: Liquidity and Availability

The Organization receives significant contributions with donor restrictions to be used in accordance with the associated purpose restrictions. The Organization also receives support without donor restrictions; such support is composed of donations without restrictions as well as fee-for-service arrangements whereby it charges for subscriptions to the Religion News publication as well as charging for advertising. Fee-for-service style support has historically represented approximately 6 - 12 percent of annual program funding needs, with unrestricted donations representing another 2 percent of annual program funding needs.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

The Organization considers investment income, grant and contributions without donor restrictions and grants and contributions with donor restrictions for use in current programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2019 and 2018, restricted grants and contributions of \$5,021,372 and \$1,296,766, respectively, were included in the financial assets available to meet cash needs for general expenditures within one year as shown below. General expenditures include administrative and general expenses, fundraising expenses and grant commitments expected to be paid in the subsequent year.

The Organization maintained all funds with donor restrictions in cash accounts at FDIC insured banks or in money market accounts with SIPC insured brokerage firms, though the cash balance was not fully covered by FDIC or SIPC limits during the year.

The table below presents financial assets available for general expenditures within one year at June 30, 2019 and 2018:

	2019		2018	
	Financial Assets	Available Liquidity	Financial Assets	Available Liquidity
Cash and cash equivalents	\$ 3,701,314	\$ 3,701,314	\$ 1,661,626	\$ 1,661,626
Accounts receivable	28,714	28,714	11,916	11,916
Grants and contributions receivable	1,483,000	1,483,000	37,892	37,892
Investments	-	-	192,114	192,114
	<u>\$ 5,213,028</u>	<u>\$ 5,213,028</u>	<u>\$ 1,903,548</u>	<u>\$ 1,903,548</u>

Note 7: Related-Party Transactions

University of Missouri

The Organization entered into an affiliation agreement with the University of Missouri (the University). Prior to February 2019, under this agreement, all employees working for the Organization were employees of the University and subject to all rules and regulations of the University and all personnel policies and benefits pertaining to University employees. The University billed the Organization for the salaries and associated employee benefits of all individuals who performed work for the Organization as well as for any office supplies or other items purchased via University contracts. During 2019, the agreement with the University was amended and all personnel became employees of the Organization rather than the University. Prior to this conversion, the Organization recorded expenses to the University of \$612,892 and \$1,085,457 for salaries and benefits for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, the Organization owed the University \$4,860 and \$0, respectively, which is primarily composed of miscellaneous office supplies and other items. The amounts due are recorded in accounts payable in the consolidated statements of financial position.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Prior to February 2019, individuals working for the Organization were covered under the retirement plans offered by the University of Missouri. Please refer to the University of Missouri human resources webpage for more information on the nature of the retirement plans offered by the University. The University does not provide a breakdown of specific benefit charges to affiliated organizations. Therefore, the Organization is not able to disclose the dollar amount it contributed toward employee retirement. Total amounts recorded as expenses to the University during fiscal years 2019 and 2018 for all employee benefits were \$143,667 and \$273,912, respectively.

The University provides the Organization with buildings, utilities and janitorial services at no charge. The cost of these donated services, material and free use of facilities is estimated to be \$29,851 and \$50,670 for the years ended June 30, 2019 and 2018, respectively, and is recorded as contribution revenue in the consolidated statements of activities.

Religion News Association

The Religion News Association (RNA) is a membership organization for journalists involved in religion reporting in the news media. The Organization is considered a Type 1 supporting organization for the RNA under code Section 509(a)(3) of the Internal Revenue Code. Sixty percent of the directors on the Organization's Board are appointed by RNA.

During the years ended June 30, 2019 and 2018, the Organization recorded expenses to RNA for \$975 and \$36,506, respectively, out of scholarship funds and \$8,775 and \$8,740, respectively, out of grant funds for conference expenses, travel and training. The Organization also recorded expenses of \$24,382 and \$11,719, respectively, for a sponsorship, conference registrations and travel. The Organization collected \$3,666 and \$6,719, respectively, from RNA for scholarship donations during the years ended June 30, 2019 and 2018.

Note 8: Defined Contribution Plan

During 2019, upon separating employment from the University, the Organization joined a multiple employer 401(k) plan covering substantially all employees. The Organization will match 100 percent of the employee's contribution up to a maximum contribution of 3 percent of the employee's annual compensation. During the year ended June 30, 2019, the Organization contributed \$5,028 to the Plan.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Note 9: Collaborative Arrangement

During the year ended June 30, 2019, the Organization initiated a Global Religion Journalism Initiative. As a part of this initiative, the Organization entered into a collaboration agreement with another entity to assist in the generation of content to be published and the distribution and marketing of such content produced. The Organization and other entity each have legal right and title to content produced and has granted the other a paid up, royalty-free license to use the other's content. Revenues generated under this program are to be shared between the Organization and other entity based upon agreed upon allocation percentages which is generally either 50/50, 60/40 or 40/60 depending on the revenue generated. Under the arrangement, the Organization committed to provide \$2,960,763 to be paid over quarterly installments through August 1, 2020 as follows:

2019		\$ 2,048,019
2020		<u>395,106</u>
		<u>\$ 2,443,125</u>

The Organization paid the first installment of \$517,638 during the year end June 30, 2019, of which \$414,000 was determined to be a prepaid asset for services yet to be provided under the arrangement as presented in the consolidated statement of financial position as of June 30, 2019. The \$103,638 expensed under this agreement during the year ended June 30, 2019 is reflected as contract services within the consolidated statements of functional expenses.

Note 10: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Grants

Approximately 93 percent and 96 percent of all grants were received from one grantor in 2019 and two grantors in 2018, respectively.

Contributions

Approximately 61 percent and 17 percent of all contributions were received from two and one donors in 2019 and 2018, respectively.

Religion News Foundation
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

Accounts, Grants and Contributions Receivable Allowance

The Organization estimates the allowance for uncollectible receivables based upon a review of outstanding receivables, historical collection information and existing economic conditions. The Organization considers all accounts receivable to be fully collectible and, accordingly, no allowance has been recorded. It is at least reasonably possible that actual collection could differ materially from the receivables currently reported in the accompanying consolidated statements of financial position.

Functional Allocation of Expenses

As discussed in *Note 1*, certain costs have been allocated among the program, management and general and fundraising categories based on management's estimate of time and other methods.

Note 11: Subsequent Events

Subsequent events have been evaluated through September 19, 2019, which is the date the consolidated financial statements were available to be issued.

Note 12: Future Change in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for annual periods beginning after December 15, 2018, for nonpublic entities, and any interim periods within annual reporting periods that begin after December 15, 2019, for nonpublic entities. The Organization is in the process of evaluating the impact the amendment will have on the consolidated financial statements.