

STORYCORPS, INC.

**Financial Statements
For the Years Ended
December 31, 2017
and
December 31, 2016**

Independent Auditor's Report

To the Board of Directors of
StoryCorps, Inc.

We have audited the accompanying financial statements of StoryCorps, Inc. which comprise the statement of financial position as of December 31, 2017 and December 31, 2016 and 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 accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of StoryCorps, Inc. as of December 31, 2017 and December 31, 2016 and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty & Donnelly LLP

February 28, 2018

STORYCORPS, INC.

Statement of Financial Position

Assets

	December 31	
	2017	2016
Cash and cash equivalents	\$ 1,728,141	\$ 2,674,207
Investments, at fair value	1,010,276	-
Unconditional promises to give, net	5,834,250	4,203,709
Other receivables	506,007	123,003
Prepaid expenses and other assets	99,161	90,810
Property and equipment, net	636,949	654,676
Security deposits	63,817	63,817
Total assets	\$ 9,878,601	\$ 7,810,222

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 362,625	\$ 377,672
Deferred revenue	115,583	103,024
Loans payable	38,138	49,246
Promissory note payable	762,511	729,109
Total liabilities	1,278,857	1,259,051

Net assets

Unrestricted	1,958,071	2,052,880
Temporarily restricted	6,641,673	4,498,291
Total net assets	8,599,744	6,551,171
Total liabilities and net assets	\$ 9,878,601	\$ 7,810,222

See notes to financial statements.

STORYCORPS, INC.

Statement of Activities Years Ended December 31, 2017 and December 31, 2016

	2017			2016		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue						
Contributions						
Government	\$ 991,304	\$ 873,550	\$ 1,864,854	\$ 1,067,547	\$ 764,732	\$ 1,832,279
Foundations and major donors	1,846,991	4,142,768	5,989,759	2,478,044	2,871,778	5,349,822
Corporations	1,450,000	-	1,450,000	1,586,734	-	1,586,734
Individuals	261,703	-	261,703	291,511	-	291,511
Donated services	487,822	-	487,822	401,748	-	401,748
Fundraising benefits, net of direct expenses of \$111,070 in 2017 and \$112,906 in 2016	617,142	-	617,142	648,604	-	648,604
Fees	1,179,719	-	1,179,719	2,063,257	-	2,063,257
Book sales	21,606	-	21,606	54,150	-	54,150
Investment return	4,983	-	4,983	2,402	-	2,402
Net assets released from restrictions	2,872,936	(2,872,936)	-	2,485,640	(2,485,640)	-
Total support and revenue	9,734,206	2,143,382	11,877,588	11,079,637	1,150,870	12,230,507
Expenses						
Program services	7,093,831	-	7,093,831	8,307,089	-	8,307,089
Supporting activities						
Management and general	1,419,700	-	1,419,700	1,369,571	-	1,369,571
Fundraising	1,315,484	-	1,315,484	1,363,331	-	1,363,331
Total supporting activities	2,735,184	-	2,735,184	2,732,902	-	2,732,902
Total expenses	9,829,015	-	9,829,015	11,039,991	-	11,039,991
Increase (decrease) in net assets before other item	(94,809)	2,143,382	2,048,573	39,646	1,150,870	1,190,516
Other item						
Release of restriction for cash reserve	-	-	-	775,000	(775,000)	-
Increase (decrease) in net assets	(94,809)	2,143,382	2,048,573	814,646	375,870	1,190,516
Net assets, beginning of year	2,052,880	4,498,291	6,551,171	1,238,234	4,122,421	5,360,655
Net assets, end of year	\$ 1,958,071	\$ 6,641,673	\$ 8,599,744	\$ 2,052,880	\$ 4,498,291	\$ 6,551,171

See notes to financial statements.

STORYCORPS, INC.

Statement of Functional Expenses Year Ended December 31, 2017 (with Summarized Comparative Information for 2016)

	2017			2016
	Supporting Activities			
	Program Services	Management and General	Fundraising	Total
Salaries and wages	\$ 4,038,058	\$ 741,026	\$ 868,004	\$ 5,647,088
Payroll taxes and employee benefits	795,978	167,270	167,858	1,131,106
Rent and utilities	270,567	37,877	34,830	343,274
Other consulting fees	239,412	58,380	20,042	317,834
Professional fees	443,130	252,871	15,573	711,574
Telephone and data	46,198	5,976	6,984	59,158
Repairs and maintenance	42,007	4,470	4,127	50,604
Office and facility supplies	52,655	8,194	8,909	69,758
Travel	517,930	22,394	41,864	582,188
Postage and delivery	12,714	1,602	14,333	28,649
Advertising and promotion	46,337	8,424	34,318	89,079
Insurance	42,557	6,314	5,805	54,676
Other operating expenses	179,872	46,141	71,227	297,240
Vehicles and equipment	21,512	2,078	1,911	25,501
Interest and finance charges	-	51,830	-	51,830
Depreciation and amortization	344,904	4,853	4,835	354,592
Indirect fundraising benefit expense	-	-	14,864	14,864
Total	\$ 7,093,831	\$ 1,419,700	\$ 1,315,484	\$ 9,829,015
				\$ 11,039,991

See notes to financial statements.

STORYCORPS, INC.

Statement of Functional Expenses Year Ended December 31, 2016

	<u>Supporting Activities</u>		
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>
Salaries and wages	\$ 4,527,616	\$ 731,577	\$ 844,857
Payroll taxes and employee benefits	890,473	206,062	169,454
Rent and utilities	232,990	35,061	37,983
Other consulting fees	341,584	111,785	47,029
Professional fees	732,923	118,700	17,420
			<u>\$ 6,104,050</u>
Telephone and data	30,813	4,406	5,123
Repairs and maintenance	32,091	4,386	4,751
Office and facility supplies	101,546	12,680	10,351
Travel	660,871	24,104	52,838
Postage and delivery	19,437	2,903	18,169
			<u>40,342</u>
Advertising and promotion	220,465	14,133	33,508
Insurance	46,309	7,409	8,027
Other operating expenses	114,516	37,403	58,017
Vehicles and equipment	27,314	2,285	2,590
Interest and finance charges	-	52,048	-
			<u>268,106</u>
Depreciation and amortization	328,141	4,629	5,047
Indirect fundraising benefit expense	-	-	48,167
			<u>337,817</u>
Total	\$ 8,307,089	\$1,369,571	\$ 1,363,331
			<u>\$11,039,991</u>

See notes to financial statements.

STORYCORPS, INC.

Statement of Cash Flows

	Year Ended December 31	
	2017	2016
Cash flows from operating activities		
Increase in net assets	\$ 2,048,573	\$ 1,190,516
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	354,592	337,817
Unrealized losses on investments	2,356	-
Accretion of interest on promissory note payable	33,402	31,940
Donated stock	(141,625)	(135,500)
Proceeds from sale of donated stock	141,625	135,500
(Increase) decrease in assets		
Unconditional promises to give	(1,630,541)	(994,097)
Other receivables	(383,004)	176,925
Prepaid expenses and other assets	(8,351)	966
Security deposits	-	(22,784)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(15,047)	90,638
Deferred revenue	12,559	(373,601)
Net cash provided by operating activities	<u>414,539</u>	<u>438,320</u>
Cash flows from investing activities		
Purchase of investments	(1,012,632)	-
Purchase of property and equipment	(336,865)	(432,358)
Net cash (used in) investing activities	<u>(1,349,497)</u>	<u>(432,358)</u>
Cash flows (used in) financing activities		
Repayment of loans payable	<u>(11,108)</u>	<u>(7,322)</u>
Net (decrease) in cash and cash equivalents	(946,066)	(1,360)
Cash and cash equivalents, beginning of year	<u>2,674,207</u>	<u>2,675,567</u>
Cash and cash equivalents, end of year	<u>\$ 1,728,141</u>	<u>\$ 2,674,207</u>
Supplemental disclosure of cash flow information		
Equipment acquired under loans payable	<u>\$ -</u>	<u>\$ 56,568</u>

See notes to financial statements.

STORYCORPS, INC.**Notes to Financial Statements
December 31, 2017 and December 31, 2016****Note 1 - Nature of organization and summary of significant accounting policies****Nature of organization**

StoryCorps, Inc. (the “Organization”) is America’s oral history project. Recordings are archived at the American Folklife Center at the Library of Congress so that future generations can hear the stories – and the voices – of today. We share stories online and through our weekly broadcasts, podcast, animated shorts and books.

Cash and cash equivalents

For purposes of the statement of cash flows, the Organization considers all short-term highly liquid investments, with original maturities of 90 days or less, to be cash equivalents.

Investments

The Organization reports investments at fair value in the statement of financial position. Unrealized gains and losses on the investments are reflected in the statement of activities as increases and decreases in unrestricted net assets.

Accounting principles generally accepted in the United States of America established a fair value hierarchy that prioritizes the inputs used to measure fair value into three broad levels. All of the Organization’s investments are measured using Level 1 inputs, which are defined as quoted prices in active markets for identical assets that the reporting entity has the ability to access at the measurement date.

Contributions and unconditional promises to give

Contributions, including unconditional promises to give, are recognized as revenue in the period received. The Organization reports contributions as temporarily restricted support if they are time restricted or received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation.

Allowance for doubtful accounts

The Organization deems all accounts receivable to be collectible and, accordingly, an allowance for doubtful accounts is not necessary. Such estimate is based on management’s experience, the aging of the receivables, subsequent receipts and current economic conditions.

STORYCORPS, INC.

Notes to Financial Statements (continued)
December 31, 2017 and December 31, 2016

Note 1 – Nature of organization and summary of significant accounting policies (continued)Property and equipment

Expenditures for property and equipment over a nominal amount with a useful life greater than one year are recorded at cost. Depreciation and amortization are computed using the straight-line basis over the estimated useful life of the asset or term of the lease, whichever is shorter.

Contributions that must be used to acquire property and equipment are reported as restricted support and reflected in temporarily restricted net assets. This support is recognized as net assets released from restrictions as the acquired assets are depreciated.

Deferred revenue

Revenue from fees is recognized in the period the services take place. Amounts collected in advance of such revenue recognition are deferred.

Basis of presentation

Net assets consist of revenue and other support that are classified based on the existence or absence of donor-imposed restrictions. The net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets

Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets

Temporarily restricted net assets are restricted for future programs and/or periods. Pursuant to the terms of the MacArthur Foundation's Creative and Effective Institutions Award grant recorded in 2012, the proceeds of which were received during January 2013, \$775,000 was designated as a cash reserve that was to be used to fund temporary shortfalls in cash flow. During 2016, the Organization satisfied the time restriction on the grant and recorded a release of restrictions from cash reserve from temporarily restricted net assets to unrestricted net assets as an other item in the statement of activities.

Advertising costs

Advertising costs are charged to operations when the advertising takes place.

Functional allocation of expenses

The cost of providing the various program and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services in reasonable ratios determined by management.

STORYCORPS, INC.

Notes to Financial Statements (continued)
December 31, 2017 and December 31, 2016

Note 1 – Nature of organization and summary of significant accounting policies (continued)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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Concentrations of credit risk

The Organization's financial instruments that are potentially exposed to concentrations of credit risk consist of cash, cash equivalents, investments and receivables. The Organization places its cash and cash equivalents with what it believes to be quality financial institutions. The Organization's investments are exposed to various risks such as interest rate, market volatility, liquidity and credit. Due to the uncertainty related to the foregoing risks, it is reasonably possible that changes in these risks could materially affect the fair values of the investments reported in the statement of financial position as of December 31, 2017. The Organization monitors its cash, cash equivalents, investments and collectability of receivables. As a result, the Organization's management believes concentrations of credit risk are limited.

Subsequent events

The Organization has evaluated subsequent events through February 28, 2018, the date that the financial statements are considered available to be issued.

Note 2 – Unconditional promises to give

Unconditional promises to give consist of the following as of December 31, 2017 and December 31, 2016:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Amounts expected to be collected in:		
Less than one year	\$ 5,083,610	\$ 3,099,096
One to two years	<u>810,000</u>	<u>1,186,261</u>
	5,893,610	4,285,357
Less discount to present value (3.8% for 2017 and 3.0% for 2016)	<u>59,360</u>	<u>81,648</u>
Total unconditional promises to give, net	<u>\$ 5,834,250</u>	<u>\$ 4,203,709</u>

At December 31, 2017 and December 31, 2016, five donors comprised approximately 67% and 70% of unconditional promises to give, respectively.

STORYCORPS, INC.

Notes to Financial Statements (continued)
December 31, 2017 and December 31, 2016

Note 3 – Investments

Investments consist of the following as of December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>
Cash	\$ 6,335	\$ 6,335
Mutual funds – fixed income (1)	<u>1,006,297</u>	<u>1,003,941</u>
Total	<u>\$ 1,012,632</u>	<u>\$ 1,010,276</u>

(1) Mutual funds consist of short duration bond funds.

Note 4 – Property and equipment

Property and equipment consist of the following as of December 31, 2017 and December 31, 2016:

	Estimated Useful <u>Life</u>	<u>2017</u>	<u>2016</u>
StoryCorps booths and vehicles	2-5 years	\$ 967,780	\$ 967,780
Production equipment	5 years	309,288	309,288
Computers and software	3-5 years	1,690,754	1,364,945
Furniture and fixtures	5 years	101,207	97,151
Telephone equipment	5 years	30,425	30,425
Leasehold improvements	Term of lease	<u>153,583</u>	<u>146,583</u>
		3,253,037	2,916,172
Less: accumulated depreciation and amortization		<u>2,616,088</u>	<u>2,261,496</u>
Property and equipment, net		<u>\$ 636,949</u>	<u>\$ 654,676</u>

During 2016, fully depreciated property and equipment, totaling \$52,488, were removed from the books and records of the Organization.

Note 5 – Promissory note payable

On August 6, 2008, the Organization executed a zero coupon promissory note with an entity controlled by a substantial donor and received loan proceeds of \$500,098. The promissory note obligates the Organization to pay \$1,225,000 on August 6, 2028. Interest accrues on the note at a rate of 4.53% per annum. Accrued interest expense for the years ended December 31, 2017 and December 31, 2016 was \$33,402 and \$31,940, respectively.

STORYCORPS, INC.

Notes to Financial Statements (continued)
December 31, 2017 and December 31, 2016

Note 6 – Bank line of credit

The Organization has a revolving line of credit, due on demand, in the amount of \$350,000. Interest is due monthly at the banks' prime rate plus 2.0%. Any outstanding balance must be repaid for a period of 30 consecutive days in each year. The line of credit is secured by certain of the Organization's personal property and is due for renewal on June 2, 2018. There were no borrowings under the line of credit during 2017 and 2016.

Note 7 – Loans payable

During 2016, the Organization obtained two loans to purchase two vehicles. The loans require total monthly principal and interest payments of \$976, with interest at the rates of .9% and 1.9% per annum. The loans mature in April 2021. The following is a summary of the future minimum annual principal payments as of December 31, 2017:

<u>Year</u>	<u>Amount</u>
2018	\$ 11,260
2019	11,414
2020	11,571
2021	<u>3,893</u>
Total	<u>\$ 38,138</u>

Note 8 – Commitments and contingency**Office leases**

The Organization is obligated under the terms of operating leases for office space. The leases expire June 30, 2018 and provide for minimum monthly payments as well as payments for utilities and taxes. Rent expense for the years ended December 31, 2017 and December 31, 2016 was approximately \$319,000 and \$284,000, respectively. Minimum rental payments for the remainder of the leases are approximately \$143,000 for the year ended December 31, 2018.

Government grants

Government supported projects are subject to audit by the applicable government granting agencies. The possible disallowances by the granting agencies of any item charged to the program cannot be determined until such time when and if an audit occurs. Therefore, no provision for any potential disallowances that may result from such audits has been made in the accompanying financial statements.

403(b) plan

The Organization provides its eligible employees the option of deferring current earnings by participating in a tax deferred 403(b) retirement plan. The Organization does not make any contributions to the plan.

STORYCORPS, INC.

Notes to Financial Statements (continued)
December 31, 2017 and December 31, 2016

Note 9 – Temporarily restricted net assets

Temporarily restricted net assets consisted of the following as of December 31, 2017 and December 31, 2016:

	Balance at December 31, <u>2016</u>	<u>Contributions</u>	Net assets released from restrictions	Balance at December 31, <u>2017</u>
Government	\$ 784,732	\$ 873,550	\$ (443,757)	\$ 1,214,525
Foundations and major donors	<u>3,713,559</u>	<u>4,142,768</u>	<u>(2,429,179)</u>	<u>5,427,148</u>
Total	<u>\$ 4,498,291</u>	<u>\$ 5,016,318</u>	<u>\$ (2,872,936)</u>	<u>\$ 6,641,673</u>

	Balance at December 31, <u>2015</u>	<u>Contributions</u>	Net assets released from restrictions	Balance at December 31, <u>2016</u>
Government	\$ 445,867	\$ 764,732	\$ (425,867)	\$ 784,732
Foundations and major donors	3,376,554	2,871,778	(2,534,773)	3,713,559
Corporations	<u>300,000</u>	<u>-</u>	<u>(300,000)</u>	<u>-</u>
Total	<u>\$ 4,122,421</u>	<u>\$ 3,636,510</u>	<u>\$ (3,260,640)</u>	<u>\$ 4,498,291</u>

Note 10 – Donated services

Donated services consist of the following for the years ended December 31, 2017 and December 31, 2016:

	<u>2017</u>	<u>2016</u>
Legal services	\$ 371,250	\$ 271,279
Lodging - StoryCorps program	<u>116,572</u>	<u>130,469</u>
	<u>\$ 487,822</u>	<u>\$ 401,748</u>

Note 11 – Tax status

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code (the "Code"). In addition, the Organization has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a)(1) of the Code. As a result, donors are able to receive the maximum charitable tax deduction available.