

**THE REPORTERS COMMITTEE FOR  
FREEDOM OF THE PRESS**

**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**

**DECEMBER 31, 2011**

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## Independent Auditors' Report

To the Steering Committee  
The Reporters Committee for Freedom of the Press  
Arlington, Virginia

We have audited the accompanying statement of assets, liabilities and fund balances – cash basis of the Reporters Committee for Freedom of the Press as of December 31, 2011, and the related statement of revenue, expenses and change in fund balances – cash basis and the statement of functional expenses – cash basis for the year then ended. These financial statements are the responsibility of the Reporters Committee for Freedom of the Press' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Reporters Committee for Freedom of the Press' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B, these financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and fund balances of the Reporters Committee for Freedom of the Press as of December 31, 2011, and its revenues, expenses, and change in fund balances for the year then ended, on the cash basis of accounting.

*Ribis, Jones & Maresca, P.A.*

May 14, 2012  
Columbia, Maryland

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES**  
**CASH BASIS**  
**DECEMBER 31, 2011**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 62,216
Investments:	
Government bond obligations	754,839
Corporate bond obligations	2,236,684
Corporate stocks	2,553,153
Money market funds	412,398
Total investments	<u>5,957,074</u>
Total current assets	<u>6,019,290</u>

**OTHER ASSETS**

Security deposits	<u>7,655</u>
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**TOTAL ASSETS**

\$ 6,026,945

**FUND BALANCES**

**FUND BALANCES**

Unrestricted fund balances	\$ 1,083,008
Restricted fund balances	<u>4,943,937</u>

**TOTAL FUND BALANCES**

\$ 6,026,945

See independent auditors' report and accompanying notes to the financial statements.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS  
STATEMENT OF REVENUE, EXPENSES AND CHANGE IN FUND BALANCES  
CASH BASIS  
YEAR ENDED DECEMBER 31, 2011**

	Restricted							Total
	Unrestricted	Jack Nelson						
	General Operating Fund	Knight I Endowment Fund	Knight II Endowment Fund	Legal Fellowship Fund	Other Restricted Fund	Restricted Funds Total	Restricted Funds Total	
<b>REVENUE, GAINS, AND LOSSES</b>								
<b>Revenue</b>								
Contributions and grants	\$ 164,780	\$ -	\$ -	\$ 141	\$ 476,359	\$ 476,500	\$ 641,280	
Program services	130,592	-	-	-	-	-	130,592	
Publications and subscriptions	13,953	-	-	-	-	-	13,953	
Interest and dividends	48,901	62,647	68,117	25,830	-	156,594	205,495	
Realized gains (losses)	34,403	(7,675)	19,323	(60)	-	11,588	45,991	
Other income	9,604	-	-	-	-	-	9,604	
	<u>402,233</u>	<u>54,972</u>	<u>87,440</u>	<u>25,911</u>	<u>476,359</u>	<u>644,682</u>	<u>1,046,915</u>	
<b>Transfers and Releases</b>								
Transfers to operating	193,800	(105,000)	(90,000)	-	1,200	(193,800)	-	
Released from restrictions	514,480	(6,984)	(7,332)	(25,767)	(474,397)	(514,480)	-	
	<u>708,280</u>	<u>(111,984)</u>	<u>(97,332)</u>	<u>(25,767)</u>	<u>(473,197)</u>	<u>(708,280)</u>	<u>-</u>	
Total revenue, gains, and losses	<u>1,110,513</u>	<u>(57,012)</u>	<u>(9,892)</u>	<u>144</u>	<u>3,162</u>	<u>(63,598)</u>	<u>1,046,915</u>	
<b>EXPENSES</b>								
Program services:								
Legal defense and research	910,880	-	-	-	-	-	910,880	
Support services:								
Management and general	244,732	-	-	-	-	-	244,732	
Fundraising	102,798	-	-	-	-	-	102,798	
Total support services	<u>347,530</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>347,530</u>	
Total expenses	<u>1,258,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,258,410</u>	
<b>CHANGE IN FUND BALANCES</b>	<u>(147,897)</u>	<u>(57,012)</u>	<u>(9,892)</u>	<u>144</u>	<u>3,162</u>	<u>(63,598)</u>	<u>(211,495)</u>	
<b>FUND BALANCES, beginning of year</b>	<u>1,230,905</u>	<u>1,835,222</u>	<u>2,157,862</u>	<u>767,615</u>	<u>246,836</u>	<u>5,007,535</u>	<u>6,238,440</u>	
<b>FUND BALANCES, end of year</b>	<u>\$ 1,083,008</u>	<u>\$ 1,778,210</u>	<u>\$ 2,147,970</u>	<u>\$ 767,759</u>	<u>\$ 249,998</u>	<u>\$ 4,943,937</u>	<u>\$ 6,026,945</u>	

See independent auditors' report and accompanying notes to the financial statements.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**CASH BASIS**  
**YEAR ENDED DECEMBER 31, 2011**

	<u>Program Services</u>	<u>Support Services</u>		<u>Total</u>
	<u>Legal Defense and Research</u>	<u>Management and General</u>	<u>Fund - Raising</u>	
Personnel costs:				
Salaries and wages	\$ 502,610	\$ 159,119	\$ 64,987	\$ 726,716
Payroll taxes	35,250	11,511	6,670	53,431
Employee benefits	60,072	19,170	6,608	85,850
Subtotal personnel costs	<u>597,932</u>	<u>189,800</u>	<u>78,265</u>	<u>865,997</u>
Accounting	-	10,100	-	10,100
Bank service charges	1,565	184	92	1,841
Brochure	-	-	5,541	5,541
Computer research	28,833	-	-	28,833
Consultants	23,956	-	-	23,956
Dues and subscriptions	3,159	352	-	3,511
Equipment rental and mainenance	3,879	457	228	4,564
Equipment purchased	1,649	194	97	1,940
Financial advisor	-	22,043	-	22,043
Insurance	6,700	788	394	7,882
Marketing	10,351	-	6,901	17,252
Miscellaneous	5,073	597	298	5,968
Office supplies	3,515	414	207	4,136
Professional fees	-	3,500	-	3,500
Postage and delivery	4,237	499	249	4,985
Printing	29,602	1,644	1,645	32,891
Taxes and licenses	1,120	124	1,863	3,107
Rent	97,587	11,481	5,740	114,808
Telephone	7,151	841	421	8,413
Travel	14,570	1,714	857	17,141
Website design	70,001	-	-	70,001
Total	<u>\$ 910,880</u>	<u>\$ 244,732</u>	<u>\$ 102,798</u>	<u>\$ 1,258,410</u>

See independent auditors' report and accompanying notes to the financial statements.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

**NOTE A - NATURE OF THE ORGANIZATION**

The Reporters Committee for Freedom of the Press (the "Committee"), a voluntary unincorporated association, was formed in March 1970 to promote the First Amendment interest of a free press through research, dissemination of information, and providing assistance to members of the press in the conduct of litigation. Effective August 31, 1973, the Committee was granted tax-exempt status under Section 501(c)(3) of the Internal Revenue Code as a charitable, educational non-profit association.

The Committee provides the following services under their Legal Defense and Research programs:

The Committee provides around-the-clock, pro bono services to all news media. It offers free legal assistance and research to journalists and attorneys, files *amicus* briefs, publishes numerous handbooks and materials, and speaks out against threats to the freedom of the press. The Committee undertakes legal defense and research projects in all areas of media law.

Publications - The Committee publishes quarterly magazines, bi-weekly newsletters, and various guidebooks for gathering and disseminating the news. The Committee's internet website provides blogs which are updated on a daily basis.

Fellowship/Internship Programs - The Committee offers law fellowships for recent law school graduates and an internship program for journalism and law students each summer and during the academic semester.

Sunshine in Government Initiative - The Committee takes the lead in the administration of a coalition of media organizations and companies committed to promoting policies that ensure the government is accessible, accountable and open.

**NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Accounting

The Committee's accounts are maintained on a cash basis. The statement of revenue, expenses and changes in fund balances – cash basis reflects only cash received and disbursed. Therefore, receivables, payables, accrued income, and expenses, which may be material in amount, are not reflected in the accompanying financial statements, which are not intended to present the financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Receipts and disbursements resulting in a gain or loss from sale of investments are reflected in the statement of revenue, expenses and change in fund balances – cash basis net of their cost basis. Unrealized gains and losses in the fair value of investments are not recorded.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
(continued)

**NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Fund Balances Classifications

The fund balances are reported in two self-balancing funds as follows:

Unrestricted Fund Balances - includes unrestricted revenue and contributions received without donor-imposed restrictions. These fund balances are available for the operations of the Committee and include both internally designated and undesignated resources.

Restricted Fund Balances - includes revenue and contributions subject to donor-imposed stipulations that will be met by either actions of the Committee and/or the passage of time. When a restriction expires, restricted fund balances are reclassified to unrestricted fund balances and reported as funds released from restrictions.

Investments

Investments in government securities, corporate bonds, and marketable equity securities are reported at cost. Money market accounts that are professionally managed are classified with investments. Interest and dividends are recorded when received.

Contributions and Grants

Contributions and grants are recorded as revenue in the year the funds are received by the donor. Contributions and grants are unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Restricted contributions and grants received in excess of expenses incurred are shown as restricted fund balances in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with the cash basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
(continued)

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of revenue, expenses and change in fund balances – cash basis and the statement of functional expenses – cash basis. Accordingly, certain costs have been allocated among programs and support services benefited.

**NOTE C - INCOME TAXES**

The Reporters Committee for Freedom of the Press is a 501(c)(3) organization that is exempt from Federal income taxes under the provisions of the Internal Revenue Code Section 501(a), except for income unrelated to their exempt purpose. The Committee recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Committee does not believe its financial statements include any uncertain tax positions. No provision for income taxes is reflected in the accompanying financial statements for the year ended December 31, 2011.

The Committee's income tax returns are subject to examination by the Internal Revenue Service (“IRS”) for a period of three years from the date they were filed, except under certain circumstances. The Form 990 tax returns for the years ending December 31, 2008 through 2010 are open for a tax examination by the IRS, although no request has been made as of the date of these financial statements.

**NOTE D - FUND ACCOUNTING**

In order to monitor the use of certain contributions and grants by the Steering Committee, the Committee maintains various funds to account for its transactions.

The Knight Endowment Fund was established in September 1999 upon receipt of the first installment of a \$2.3 million grant. The grant consisted of an operating endowment of \$2 million and \$300,000 to be used for operating support. Distributions from the endowment are subject to annual limitations based on the fair value of the endowment fund assets.

In accordance with the terms of the grant, the Committee withdrew 5.5% of the funds in the Knight I and II accounts to be used for general operating expenses.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
(continued)

**NOTE D - FUND ACCOUNTING - continued**

The Committee also established the Jack Nelson Legal Fellowship Fund to support the expenses relating to maintaining a personnel position specifically designated for a recent law school graduate. Interest earned on monies held by the Jack Nelson Legal Fellowship Fund is available for current operations.

Restricted fund balances for the year ended December 31, 2011 are as follows:

	<u>Beginning Balance</u>	<u>Contributions/ Investment Income</u>	<u>Distributions/ Transfers</u>	<u>Ending Balance</u>
Knight I Endowment Fund	\$ 1,835,222	\$ 54,972	\$ (111,984)	\$ 1,778,210
Knight II Endowment Fund	2,157,862	87,440	(97,332)	2,147,970
Jack Nelson Legal Fellowship Fund	767,615	25,911	(25,767)	767,759
Special Projects	246,836	476,359	(473,197)	249,998
Total	<u>\$ 5,007,535</u>	<u>\$ 644,682</u>	<u>\$ (708,280)</u>	<u>\$ 4,943,937</u>

**NOTE E - INVESTMENTS**

Investments are carried at cost and consist of the following as of December 31, 2011:

	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and government agency bond obligations	\$ 754,839	\$ 780,202
Corporate bond obligations	2,236,684	2,304,391
Corporate stocks	2,553,153	3,027,439
Money market funds	412,398	412,398
Total	<u>\$ 5,957,074</u>	<u>\$ 6,524,430</u>

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**  
(continued)

**NOTE F – LEASE COMMITMENTS**

The Committee has a five-year lease for office space that expires on December 31, 2014. The Committee also has a sublease agreement with the Student Press Law Center, a nonprofit association, which expires on December 31, 2014.

Minimum future rental payments and rental income commitments under the non-cancelable leases are as follows:

Year ending December 31,	<u>Lease</u>	<u>Sublease</u>
2012	\$ 166,932	\$ 50,080
2013	172,768	51,830
2014	178,800	53,640

Rent expense totaled \$114,808 for the year ended December 31, 2011, which does not include \$50,046 paid directly to the landlord by the sub-lessee.

**NOTE G – PENSION PLAN**

The Committee sponsors a 401(k) plan, which covers substantially all employees over 21 years of age who have completed one year of service. Employees may contribute up to 90% of their compensation to the 401(k) plan, subject to certain Internal Revenue Service (IRS) requirements. The Committee matched deferred employee contributions in an amount equal to 100% of the first 5% of compensation employees contributed to the 401(k) plan. Total employer matching contributions to the retirement plan for the year ended December 31, 2011 totaled \$21,716.

**NOTE H – OTHER INCOME**

The Committee has a reimbursement agreement with the Student Press Law Center for office-related expenses and joint services such as telephone, postage, copier maintenance, etc., incurred by the Committee on behalf of the Student Press Law Center. For the year ended December 31, 2011, reimbursed expenses totaled \$9,421, which have been reported in other income.

**NOTE I – SUBSEQUENT EVENTS**

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 14, 2012 the date the financial statements were available to be issued. There were no additional events or transactions that were discovered during the evaluation that required further disclosure.