

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

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT**

DECEMBER 31, 2015

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Assets, Liabilities and Net Assets – Cash Basis	3
Statement of Support, Revenue, and Expenses – Cash Basis	4
Statement of Functional Expenses - Cash Basis	5
Notes to the Financial Statements	6 – 12



Independent Auditor's Report

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

We have audited the accompanying financial statements of The Reporters Committee for Freedom of the Press (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets – cash basis as of December 31, 2015, and the related statements of support, revenue and expenses – cash basis, and functional expenses – cash basis for the year 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 the cash basis of accounting as described in Note B; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 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 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.

Independent Auditor's Report
Page 2

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 assets, liabilities, and net assets of The Reporters Committee for Freedom of the Press as of December 31, 2015, and its support, revenue, and expenses for the year then ended in accordance with the cash basis of accounting as described in Note B.

Basis of Accounting

We draw attention to Note B of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

James Maruca & M^aQuade PA

Columbia, MD
May 6, 2016

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
CASH BASIS
DECEMBER 31, 2015**

ASSETS

CURRENT ASSETS

Cash	\$ 303,712
Investments:	
Money market funds	1,066,170
Certificates of deposit	625,180
Government bond obligations	698,817
Corporate bond obligations	895,924
Corporate stocks	2,577,096
Total investments	<u>5,863,187</u>
Total current assets	<u>6,166,899</u>

OTHER ASSETS

Security deposits	<u>27,636</u>
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TOTAL ASSETS

\$ 6,194,535

NET ASSETS

NET ASSETS

Unrestricted:	
Undesignated	\$ 1,190,444
Board designated	769,788
Total unrestricted	<u>1,960,232</u>
Temporarily restricted	<u>4,234,303</u>

TOTAL NET ASSETS

\$ 6,194,535

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF SUPPORT, REVENUE, AND EXPENSES -
CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	Undesignated		Board Designated		Temporarily Restricted				Total
	General Operating Fund		Jack Nelson Fellowship Fund		Knight I Endowment Fund	Knight II Endowment Fund	Other Restricted Fund	Temporarily Restricted Total	
REVENUE AND SUPPORT									
Contributions and grants	\$ 384,439	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 609,600	\$ 609,600	\$ 994,039
In-kind contributions	77,800	-	-	-	-	-	-	-	77,800
Program services	71,147	-	-	-	-	-	-	-	71,147
Publications and subscriptions	165	-	-	-	-	-	-	-	165
Fundraising events	39,587	-	-	-	-	-	-	-	39,587
Interest and dividends	35,239	18,814	61,055	60,176	-	-	121,231	121,231	175,284
Realized gains (losses)	37,595	(238)	35,623	71,234	-	-	106,857	106,857	144,214
Other income	21,391	-	-	-	-	2,390	2,390	2,390	23,781
	<u>667,363</u>	<u>18,576</u>	<u>96,678</u>	<u>131,410</u>	<u>611,990</u>	<u>840,078</u>	<u>1,526,017</u>		
Transfers and Releases									
Transfers to operating	250,880	-	(119,500)	(124,000)	(7,380)	(250,880)	(250,880)		-
Released from restrictions	464,213	(17,690)	(7,864)	(8,096)	(430,563)	(446,523)	(446,523)		-
	<u>715,093</u>	<u>(17,690)</u>	<u>(127,364)</u>	<u>(132,096)</u>	<u>(437,943)</u>	<u>(697,403)</u>	<u>1,526,017</u>		
Total Revenue and Support	<u>1,382,456</u>	<u>886</u>	<u>(30,686)</u>	<u>(686)</u>	<u>174,047</u>	<u>142,675</u>			
EXPENSES									
Program services:									
Legal defense and research	979,120	-	-	-	-	-	-	-	979,120
Support services:									
Management and general	294,039	-	-	-	-	-	-	-	294,039
Fundraising	162,392	-	-	-	-	-	-	-	162,392
Total support services	<u>456,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>456,431</u>
Total Expenses	<u>1,435,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,435,551</u>
CHANGE IN NET ASSETS	<u>(53,095)</u>	<u>886</u>	<u>(30,686)</u>	<u>(686)</u>	<u>174,047</u>	<u>142,675</u>	<u>90,466</u>		
NET ASSETS, beginning of year	<u>1,243,539</u>	<u>768,902</u>	<u>1,703,234</u>	<u>2,034,026</u>	<u>354,368</u>	<u>4,091,628</u>	<u>6,104,069</u>		
NET ASSETS, end of year	<u>\$ 1,190,444</u>	<u>\$ 769,788</u>	<u>\$ 1,672,548</u>	<u>\$ 2,033,340</u>	<u>\$ 528,415</u>	<u>\$ 4,234,303</u>	<u>\$ 6,194,535</u>		

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF FUNCTIONAL EXPENSES -
CASH BASIS
YEAR ENDED DECEMBER 31, 2015

	Program Services	Support Services		Total
	Legal Defense and Research	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 669,350	\$ 130,013	\$ 107,897	\$ 907,260
Payroll taxes	52,363	9,863	6,713	68,939
Employee benefits	62,744	12,672	6,528	81,944
Subtotal personnel costs	784,457	152,548	121,138	1,058,143
Accounting	-	8,300	-	8,300
Bank service charges	-	3,055	-	3,055
Computer research	30,351	-	-	30,351
Consultant	26,138	-	8,713	34,851
Database software	-	-	3,370	3,370
Dues and subscriptions	472	2,755	-	3,227
Equipment rental and maintenance	11,584	1,274	637	13,495
Financial advisor	-	23,934	-	23,934
Facilities, food and beverages	-	-	25,678	25,678
Insurance	9,923	6,615	-	16,538
Legal services	11,493	72,770	-	84,263
Lobbying	17,279	-	-	17,279
Miscellaneous	3,482	3,134	348	6,964
Office supplies	3,310	389	195	3,894
Professional fees	-	3,500	-	3,500
Postage and delivery	1,147	136	67	1,350
Printing	517	961	-	1,478
Taxes and licenses	306	34	1,830	2,170
Relocation	-	2,989	-	2,989
Rent	48,928	8,635	-	57,563
Software development	2,510	-	-	2,510
Telephone	7,070	832	416	8,318
Travel	20,153	2,178	-	22,331
Total	\$ 979,120	\$ 294,039	\$ 162,392	\$ 1,435,551

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 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:

Legal Defense and Research

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 and assists journalists and news organizations with freedom of information and access-to-court cases. As such, the legal defense and research program includes the following:

Publications - The Committee publishes a quarterly digital magazine, a blog, and various guidebooks for gathering and disseminating the news. The Committee's internet website provides content on media law and journalism, which is 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 an academic semester.

Sunshine in Government Initiative - The Committee takes the lead in the administration of a coalition of non-profit media organizations 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 prepares its financial statements on the cash basis of accounting. Under this method, revenue and support is recognized when received rather than when earned, and expenses are recognized when paid rather than when the related obligation is incurred.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Net Assets Classifications

The net assets are reported as follows:

Unrestricted Net Assets - includes unrestricted contributions received without donor-imposed restrictions. These net assets are available for the operations of the Committee and include both internally designated and undesignated resources.

Temporarily Restricted Net Assets - includes 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 net assets are reclassified to unrestricted net assets and reported as funds released from restrictions.

Investments

Investments in government securities, corporate bonds, certificates of deposit, 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. Gain or losses from sale of investments are recorded when the transaction is settled.

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.

Donated Services

The Committee records the value of donated goods and services requiring specialized skill, where there is an objective basis available to measure their value. Such items are reflected as in-kind contributions in the statement of support, revenue, and expenses at their estimated cost as of the date of receipt.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

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 support, revenue, and expenses – 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 Committee is a 501(c)(3) organization that is exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the “Code”) and is not a private foundation. Under the provisions of the Code, the Committee is, however, subject to the tax on business income unrelated to its exempt purpose. The Committee files information returns and other tax returns as required.

The Committee believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

The Committee's information returns are subject to examination by the Internal Revenue Service for a period of three years from the date they were filed, except under certain circumstances. The Committee's Form 990 information returns for the years ending December 31, 2012 through 2014 are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – TEMPORARILY RESTRICTED FUNDS

The Knight Endowment Fund (“Knight I”) was established in September 1999 upon receipt of the first installment of a \$2.3 million grant. The grant consisted of \$2 million and \$300,000 to be used for operating support. Amounts expended are subject to annual limitations based on the fair value of the assets.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)

NOTE D – TEMPORARILY RESTRICTED FUNDS - continued

In 2005, a second Knight Endowment Fund (“Knight II”) was established upon receipt of the first installment of a \$2.5 million partial challenge grant. The grant consisted of a \$1 million matching endowment challenge, a \$1 million matching operating challenge, and \$500,000 for operating costs to be paid over five years. The Knight Foundation matched dollar-for-dollar on the operating challenge portions of the grant up to \$400,000 per year for the five-year period.

In accordance with the terms of the grant agreements, during 2015, 5.5% in the Knight I and II accounts were released to the business checking account to be used for general operating expenses. The amount released was calculated based on the average of 12 previous consecutive quarters. Balances at year end are classified as temporarily restricted net assets due to time restrictions.

The special projects represent grants and contributions restricted for the legal fellowship program (\$420,732), the development of a legal policy guide for journalists (\$3,600), legislative activities for the Sunshine in Government Initiative (\$51,947), a special litigation project (\$50,000), and miscellaneous travel (\$2,136).

Temporarily restricted fund balances for the year ended December 31, 2015 are as follows:

	Beginning Balance	Contributions/ Investment Income	Distributions/ Transfers	Ending Balance
Knight I Endowment Fund	\$ 1,703,234	\$ 96,678	\$ (127,364)	\$ 1,672,548
Knight II Endowment Fund	2,034,026	131,410	(132,096)	2,033,340
Special Projects	354,368	611,990	(437,943)	528,415
Total	<u>\$ 4,091,628</u>	<u>\$ 840,078</u>	<u>\$ (697,403)</u>	<u>\$ 4,234,303</u>

NOTE E – BOARD DESIGNATED

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
 (continued)

NOTE E – BOARD DESIGNATED - continued

Board designated fund balances for the year ended December 31, 2015 are as follows:

	<u>Beginning Balance</u>	<u>Contributions/ Investment Income</u>	<u>Distributions/ Transfers</u>	<u>Ending Balance</u>
Jack Nelson/Dow Jones Legal Fellowship Fund	\$ <u>768,902</u>	\$ <u>18,576</u>	\$ <u>(17,690)</u>	\$ <u>769,788</u>

NOTE F - INVESTMENTS

Investments are carried at cost and consist of the following as of December 31, 2015:

	<u>Cost</u>	<u>Fair Value</u>
U.S. Government and government agency bond obligations	\$ 698,817	\$ 701,976
Corporate bond obligations	895,924	904,726
Corporate stocks	2,577,096	4,206,860
Certificates of deposit	625,180	621,797
Money market funds	<u>1,066,170</u>	<u>1,066,170</u>
Total	<u>\$ 5,863,187</u>	<u>\$ 7,501,529</u>

NOTE G – LEASE COMMITMENTS

On November 3, 2014, the Committee signed a lease for office space in the District of Columbia. The lease commenced on January 1, 2015 and expires on May 31, 2020. The Committee also entered into a storage space license agreement on November 18, 2014, which runs concurrent with the lease term. The first month's rent of \$9,212 was paid upon signing the lease agreement and \$208 upon signing the storage space license agreement. The landlord granted a rental abatement of the base rent during the first five calendar months of the lease term. Rent expense totaled \$57,563 for the year ended December 31, 2015.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)

NOTE G – LEASE COMMITMENTS - continued

Future minimum lease payments are as follows as of December 31:

	<u>Office Lease</u>	<u>Storage Lease</u>
2016	\$ 113,306	\$ 2,563
2017	116,139	2,627
2018	119,042	2,692
2019	122,018	2,759
2020	<u>51,112</u>	<u>1,178</u>
Total	<u>\$ 521,617</u>	<u>\$ 11,819</u>

NOTE H – 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 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, 2015, totaled \$27,330.

NOTE I – OTHER INCOME

The Committee’s attorneys were asked to speak at state press association conferences, to moderate or participate in panel discussions at the American Bar Association meetings, and to serve as faculty members for the Participating Law Institute. Their travel expenses were reimbursed. The Committee was also reimbursed for outstanding expenses incurred in hosting the Digital Security Summit in 2014. For the year ended December 31, 2015, reimbursed expenses total \$7,975. The reimbursement is reported in other income on the statement of support, revenue, and expenses – cash basis.

NOTE J – RELATED PARTY MATTERS

During the year, the Committee received in-kind legal services from a law firm in which the spouse of the Litigator Director is employed. The Executive Director also received an in-kind contribution for the cost of hosting two staff events at his home. The value of services received totaled \$77,800 for the year ended December 31, 2015.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015
(continued)

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 6, 2016, 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 recognition or disclosure.