

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

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

DECEMBER 31, 2016

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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, 2016, 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 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 assets, liabilities, and net assets of The Reporters Committee for Freedom of the Press as of December 31, 2016, 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.

Jane Marston & McQuade PA

Columbia, MD
May 18, 2017

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -
CASH BASIS
DECEMBER 31, 2016

ASSETS

CURRENT ASSETS

Cash	\$ 621,582
Investments:	
Money market funds	887,829
Certificates of deposit	770,225
Government bond obligations	1,259,026
Corporate bond obligations	195,702
Corporate stocks	2,934,349
Total investments	<u>6,047,131</u>
Total current assets	<u>6,668,713</u>

OTHER ASSETS

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

\$ 6,696,349

NET ASSETS

NET ASSETS

Unrestricted:	
Undesignated	\$ 1,886,515
Board designated	771,382
Total unrestricted	<u>2,657,897</u>
Temporarily restricted	<u>4,038,452</u>

TOTAL NET ASSETS

\$ 6,696,349

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, 2016

	Undesignated	Board Designated	Temporarily Restricted				Total
	General Operating Fund	Jack Nelson Legal Fellowship Fund	Knight I Endowment Fund	Knight II Endowment Fund	Special Projects	Temporarily Restricted Total	
REVENUE AND SUPPORT							
Contributions and grants	\$ 647,619	\$ -	\$ -	\$ -	\$ 343,625	\$ 343,625	\$ 991,244
Fundraising events	904,546	-	-	-	-	-	904,546
Program services	10,000	-	-	-	-	-	10,000
In-kind contributions	1,300	-	-	-	-	-	1,300
Interest and dividends	33,207	19,115	98,475	22,716	-	121,191	173,513
Realized gains	21,392	1,611	8,189	57	-	8,246	31,249
Other income	5,505	-	-	-	-	-	5,505
	<u>1,623,569</u>	<u>20,726</u>	<u>106,664</u>	<u>22,773</u>	<u>343,625</u>	<u>473,062</u>	<u>2,117,357</u>
Transfers and Releases							
Transfers	193,257	-	1,893,500	(2,051,970)	(34,787)	(193,257)	-
Released from restrictions	494,788	(19,132)	(11,947)	(4,143)	(459,566)	(475,656)	-
	<u>688,045</u>	<u>(19,132)</u>	<u>1,881,553</u>	<u>(2,056,113)</u>	<u>(494,353)</u>	<u>(668,913)</u>	<u>-</u>
Total Revenue and Support	2,311,614	1,594	1,988,217	(2,033,340)	(150,728)	(195,851)	2,117,357
EXPENSES							
Program services:							
Legal defense and research	1,043,175	-	-	-	-	-	1,043,175
Support services:							
Management and general	190,636	-	-	-	-	-	190,636
Fundraising	381,732	-	-	-	-	-	381,732
Total support services	<u>572,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>572,368</u>
Total Expenses	<u>1,615,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,615,543</u>
CHANGE IN NET ASSETS	696,071	1,594	1,988,217	(2,033,340)	(150,728)	(195,851)	501,814
NET ASSETS, beginning 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>
NET ASSETS, end of year	<u>\$ 1,886,515</u>	<u>\$ 771,382</u>	<u>\$ 3,660,765</u>	<u>\$ -</u>	<u>\$ 377,687</u>	<u>\$ 4,038,452</u>	<u>\$ 6,696,349</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, 2016

	Program Services	Support Services		Total
	Legal Defense and Research	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 706,985	\$ 96,994	\$ 98,473	\$ 902,452
Payroll taxes	53,290	9,219	6,359	68,868
Employee benefits	74,377	13,416	10,713	98,506
Subtotal Personnel Costs	834,652	119,629	115,545	1,069,826
Accounting	-	8,700	-	8,700
Bank service charges	-	3,510	-	3,510
Computer research	24,707	-	-	24,707
Consultant	2,280	-	2,570	4,850
Dues and subscriptions	4,606	55	-	4,661
Equipment rental and maintenance	6,580	774	387	7,741
Financial advisor	-	24,148	-	24,148
Facilities, food and beverages	-	-	260,899	260,899
Insurance	8,511	5,675	-	14,186
Legal services	23,134	-	-	23,134
Lobbying	692	-	-	692
Marketing	-	150	-	150
Miscellaneous	2,234	2,012	224	4,470
Office supplies	4,553	535	268	5,356
Professional fees	-	3,500	-	3,500
Postage and delivery	1,309	154	77	1,540
Printing	457	850	-	1,307
Taxes and licenses	246	289	1,330	1,865
Rent	100,079	17,662	-	117,741
Software development	2,504	-	-	2,504
Telephone	7,348	864	432	8,644
Travel	19,283	2,129	-	21,412
Total	\$ 1,043,175	\$ 190,636	\$ 381,732	\$ 1,615,543

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, 2016

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.

News Media for Open Government (formerly, Sunshine in Government Initiative) - The Committee takes the lead in the administration of a coalition of non-profit media organizations advocating for stronger public records laws.

Litigation - The Committee's litigation practice in which its staff attorneys represent the Committee, a journalist or news organization complements its traditional *amicus* brief work at a time of increased need in the news media for impact litigation and pro bono legal services. The Committee has a network of lawyers around the country who, from time to time, serve as local counsel on *amicus* briefs or partner with the Committee in other ways.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(continued)

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.

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, 2016
(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, 2013 through 2015 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, 2016
(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.

On May 2, 2016, an amendment to the Knight I and Knight II grant agreements was signed. The amendment combined the two investment funds to establish a new endowment fund titled the “Knight Litigation Project Fund (“Knight Fund”). Income from the Knight Fund is used to support litigation and litigation related activities provided by the Committee on behalf of individual journalists, freelancers, digital communicators, and news organizations.

In accordance with the terms of the grant agreement, 3.5% of the Knight Fund was released (\$158,470) in 2016, and administrative fees totaling \$16,090 were paid out of the Knight Fund. The amount released was calculated based on the average fair market value of the Knight Fund for the 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 (\$251,528), legislative activities for News Media for Open Government (\$30,093), a special project on the “right to be forgotten” (\$25,000), a Knight litigation staff attorney (\$70,426), and miscellaneous travel (\$640).

Temporarily restricted fund balances for the year ended December 31, 2016 are as follows:

	Beginning Balance	Contributions	Investment Income	Amount Transferred	Amount Released	Ending Balance
Knight Fund	\$ 1,672,548	\$ -	\$ 106,664	\$ 2,056,113	\$ (174,560)	\$ 3,660,765
Knight II	2,033,340	-	22,773	(2,056,113)	-	-
Special Projects	528,415	343,625	-	-	(494,353)	377,687
Total	<u>\$ 4,234,303</u>	<u>\$ 343,625</u>	<u>\$ 129,437</u>	<u>\$ -</u>	<u>\$ (668,913)</u>	<u>\$ 4,038,452</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, 2016
(continued)

NOTE E – BOARD DESIGNATED - continued

Board designated fund balances for the year ended December 31, 2016 are as follows:

	<u>Beginning Balance</u>	<u>Investment Income</u>	<u>Released from Designation</u>	<u>Ending Balance</u>
Jack Nelson/Dow Jones Legal Fellowship Fund	\$ 769,788	\$ 20,726	\$ (19,132)	\$ 771,382

NOTE F - INVESTMENTS

Investments are carried at cost and consist of the following as of December 31, 2016:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 887,829	\$ 887,829
Certificates of deposit	770,225	770,355
U.S. government and government agency bond obligations	1,259,026	809,549
Corporate bond obligations	195,702	649,678
Corporate stocks	2,934,349	5,047,127
	<u>\$ 6,047,131</u>	<u>\$ 8,164,538</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. Rent expense totaled \$117,741 for the year ended December 31, 2016. Future minimum lease payments are as follows as of December 31:

	<u>Office Lease</u>	<u>Storage Lease</u>
2017	\$ 116,139	\$ 2,627
2018	119,042	2,692
2019	122,018	2,759
2020	51,112	1,178
Total	<u>\$ 408,311</u>	<u>\$ 9,256</u>

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016
(continued)

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, 2016, totaled \$35,296.

NOTE I – OTHER INCOME

The Committee's staff attorneys were asked to speak at conferences, to moderate or participate in panel discussions at the American Bar Association meetings, and to serve as faculty members for the Practising Law Institute. Their travel expenses were reimbursed.

Upon the completion of his legal fellowship, one of the Committee's legal fellows elected to stay on the Committee's health insurance for an additional two months through the DC Continuation of Insurance program. The Committee was reimbursed for the cost of his insurance.

The Committee was also reimbursed for out-of-pocket expenses incurred in a media coalition's intervention in a legal matter.

For the year ended December 31, 2016, reimbursed expenses total \$5,505. 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 an in-kind donation of furniture from the Executive Director valued at \$1,300 for the year ended December 31, 2016.

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 18, 2017, 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.