

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

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

**DECEMBER 31, 2017**

## TABLE OF CONTENTS

	<u>Page No.</u>
<b>INDEPENDENT AUDITOR’S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
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 – 11



## Independent Auditor's Report

To the Steering Committee  
The Reporters Committee for Freedom of the Press  
Washington, DC

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, 2017, 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, 2017, 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 Marston & McQuade PA*

Columbia, MD  
May 17, 2018

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS  
STATEMENT OF ASSETS, LIABILITIES, AND NET ASSETS -  
CASH BASIS  
DECEMBER 31, 2017**

**ASSETS**

**CURRENT ASSETS**

Cash	\$ 689,020
Investments:	
Money market funds	767,411
Certificates of deposit	1,325,235
Government bond obligations	2,976,015
Corporate bond obligations	209,991
Corporate stocks	2,924,927
Total investments	<u>8,203,579</u>
Total current assets	<u>8,892,599</u>

**OTHER ASSETS**

Security deposits	<u>45,095</u>
-------------------	---------------

**TOTAL ASSETS**

**\$ 8,937,694**

**NET ASSETS**

**NET ASSETS**

Unrestricted:	
Undesignated	\$ 4,113,743
Board designated	787,939
Total unrestricted	<u>4,901,682</u>
Temporarily restricted	<u>4,036,012</u>

**TOTAL NET ASSETS**

**\$ 8,937,694**

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, 2017**

	Unrestricted		Temporarily Restricted			Total
	General Operating Fund	Jack Nelson Legal Fellowship Fund	Knight I Endowment Fund	Special Projects	Temporarily Restricted Total	
<b>REVENUE AND SUPPORT</b>						
Contributions and grants	\$ 1,824,275	\$ -	\$ -	\$ 572,750	\$ 572,750	\$ 2,397,025
Fundraising events	854,462	-	-	-	-	854,462
Program services	87,317	-	-	-	-	87,317
Donated stock	1,000,609	-	-	-	-	1,000,609
Interest and dividends	42,497	19,501	126,819	-	126,819	188,817
Realized gains	(1,776)	43	(93)	-	(93)	(1,826)
Other income	125	-	-	-	-	125
	<u>3,807,509</u>	<u>19,544</u>	<u>126,726</u>	<u>572,750</u>	<u>699,476</u>	<u>4,526,529</u>
<b>Transfers and Releases</b>						
Transfers	179,058	-	(179,058)	-	(179,058)	-
Released from restrictions	525,845	(2,987)	(27,783)	(495,075)	(522,858)	-
	<u>704,903</u>	<u>(2,987)</u>	<u>(206,841)</u>	<u>(495,075)</u>	<u>(701,916)</u>	<u>-</u>
Total Revenue and Support	<u>4,512,412</u>	<u>16,557</u>	<u>(80,115)</u>	<u>77,675</u>	<u>(2,440)</u>	<u>4,526,529</u>
<b>EXPENSES</b>						
Program services:						
Legal defense and research	1,441,053	-	-	-	-	1,441,053
Support services:						
Management and general	316,615	-	-	-	-	316,615
Fundraising	527,516	-	-	-	-	527,516
Total support services	<u>844,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844,131</u>
Total Expenses	<u>2,285,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,285,184</u>
<b>CHANGE IN NET ASSETS</b>	2,227,228	16,557	(80,115)	77,675	(2,440)	2,241,345
<b>NET ASSETS, beginning of year</b>	<u>1,886,515</u>	<u>771,382</u>	<u>3,660,765</u>	<u>377,687</u>	<u>4,038,452</u>	<u>6,696,349</u>
<b>NET ASSETS, end of year</b>	<u>\$ 4,113,743</u>	<u>\$ 787,939</u>	<u>\$ 3,580,650</u>	<u>\$ 455,362</u>	<u>\$ 4,036,012</u>	<u>\$ 8,937,694</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, 2017**

	Program Services	Support Services		Total
	Legal Defense and Research	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 907,852	\$ 172,397	\$ 138,482	\$ 1,218,731
Payroll taxes	54,395	9,714	7,571	71,680
Employee benefits	101,498	18,809	14,645	134,952
Subtotal Personnel Costs	1,063,745	200,920	160,698	1,425,363
Accounting	-	9,500	-	9,500
Bank service charges	-	6,977	-	6,977
Computer research	30,003	-	-	30,003
Consultant	43,791	-	49,382	93,173
Dues and subscriptions	17,415	2,093	-	19,508
Equipment rental	20,465	2,408	1,204	24,077
Facilities, food and beverages	-	-	309,683	309,683
Financial advisor	-	22,846	-	22,846
Insurance	9,275	6,508	488	16,271
Legal services	30,280	-	-	30,280
Marketing	-	126	-	126
Meetings and conferences	24,344	-	-	24,344
Miscellaneous	-	26,253	-	26,253
Office supplies	4,049	5,365	238	9,652
Postage and delivery	1,383	164	81	1,628
Printing	-	1,674	2,998	4,672
Professional fees	-	2,625	-	2,625
Relocation	-	2,209	-	2,209
Rent	125,729	22,187	-	147,916
Repairs and maintenance	864	153	-	1,017
Software development	32,907	-	-	32,907
Taxes and licenses	187	298	591	1,076
Telephone	8,592	1,011	505	10,108
Travel	28,024	3,298	1,648	32,970
Total	\$ 1,441,053	\$ 316,615	\$ 527,516	\$ 2,285,184

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, 2017**

**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, 2017**  
(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.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic *Not-for-Profit-Entities*. In accordance with the topic, the Committee is required to report information regarding its financial position and activities according to three classes of net assets. Accordingly, the net assets of the Committee and changes therein, are classified and reported as follows:

*Unrestricted Net Assets* - Net assets not subject to donor-imposed restrictions.

*Temporarily Restricted Net Assets* - Net assets subject to donor-imposed restrictions that may or will be met by either actions of the and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

*Permanently Restricted Net Assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Committee. As of December 31, 2017, there were no permanently restricted net assets.

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.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
(continued)

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

Donated Stock

Contributions of securities are recognized at fair value on the date of the contribution. During the year, the Committee received donated Amazon stock totaling \$1,000,609, which is reflected on the statement of support, revenue, and expenses – cash basis for the year ended December 31, 2017.

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, 2014 through 2016 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.

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
(continued)

**NOTE D – TEMPORARILY RESTRICTED NET ASSETS**

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.

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.

According to the terms of the grant, each year the Committee shall make available for distributions for its programs and administrative costs an amount not less than 3.5% and not more than 5.5% of the average market value of the Knight Fund for up to the prior 12 calendar quarters.

Therefore, during 2017, 3.5% of the Knight Fund was released, which totaled \$179,058, and administrative fees totaling \$27,783 were also 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, which totaled \$356,000 for the year ended December 31, 2017.

Temporarily restricted fund balances for the year ended December 31, 2017 were as follow:

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Investment Income</u>	<u>Amount Transferred</u>	<u>Amount Released</u>	<u>Ending Balance</u>
Knight Fund	\$ 3,660,765	\$ -	\$ 126,726	\$ (179,058)	\$ (27,783)	\$ 3,580,650
Special Projects	377,687	572,750	-	-	(495,075)	455,362
Total	<u>\$ 4,038,452</u>	<u>\$ 572,750</u>	<u>\$ 126,726</u>	<u>\$ (179,058)</u>	<u>\$ (522,858)</u>	<u>\$ 4,036,012</u>

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
(continued)

**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.

Board designated fund balances for the year ended December 31, 2017, were as follow:

	<u>Beginning Balance</u>	<u>Investment Income</u>	<u>Fees</u>	<u>Ending Balance</u>
Jack Nelson/Dow Jones Legal Fellowship Fund	\$ 771,382	\$ 19,544	\$ (2,987)	\$ 787,939

**NOTE F - INVESTMENTS**

Investments are carried at cost and consisted of the following as of December 31, 2017:

	<u>Cost</u>	<u>Fair Value</u>
Money market funds	\$ 767,411	\$ 767,411
Certificates of deposit	1,325,235	1,318,419
U.S. government and government agency bond obligations	2,976,015	2,969,367
Corporate bond obligations	209,991	209,789
Corporate stocks	2,924,927	5,710,078
	<u>\$ 8,203,579</u>	<u>\$ 10,975,064</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. On December 14, 2017, the Committee entered into an amended lease agreement for the rental of additional office space. The lease term coincides with the original lease agreement. The Committee also entered into a storage 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 \$147,916 for the year ended December 31, 2017. Future minimum lease payments are as follows as of December 31:

**THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2017**  
(continued)

**NOTE G – LEASE COMMITMENTS - continued**

	Office Lease	Storage Lease
2018	\$ 226,554	\$ 2,692
2019	232,212	2,759
2020	164,060	1,178
Total	\$ 622,826	\$ 6,629

**NOTE H – PENSION PLAN**

The Committee sponsors a 401(k) plan, which covers substantially all employees over 21 years of age on the date of hire, who have been 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, 2017, totaled \$48,389.

**NOTE I – SUBSEQUENT EVENTS**

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 17, 2018, 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.