

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

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

DECEMBER 31, 2018

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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 statements of financial position as of December 31, 2018, 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 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 risk 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 The Reporters Committee for Freedom of the Press as of December 31, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Jane Hansen & M^oQuade PA

Washington, DC
May 3, 2019

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	810,077
Contributions receivable		1,188,391
Prepaid expenses		61,173
Total Current Assets		2,059,641

OTHER ASSETS

Investments		11,587,832
Property and equipment, net		659,787
Security deposit		36,595
Total Other Assets		12,284,214

TOTAL ASSETS

\$ 14,343,855

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$	21,986
Accrued payroll		14,238
Deferred rent, current portion		41,509
Total Current Liabilities		77,733

OTHER LIABILITIES

Deferred rent		646,765
Total Liabilities		724,498

NET ASSETS

Without donor restrictions:		
Undesignated		7,254,726
Board designated long-term capital requirements		834,788
Total Net Assets without Donor Restrictions		8,089,514
With donor restrictions		5,529,843
Total Net Assets		13,619,357

TOTAL LIABILITIES AND NET ASSETS

\$ 14,343,855

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,673,714	\$ 423,042	\$ 3,096,756
Special events, net direct expenses of \$236,772	564,833	-	564,833
Program services	62,156	-	62,156
Interest and dividends	81,976	144,173	226,149
Net assets released from restrictions	1,260,519	(1,260,519)	-
Total Revenue and Support	<u>4,643,198</u>	<u>(693,304)</u>	<u>3,949,894</u>
EXPENSES			
Program Services:			
Legal defense and research	1,951,363	-	1,951,363
Support Services:			
Management and general	553,560	-	553,560
Fundraising	272,588	-	272,588
Total Support Services	<u>826,148</u>	<u>-</u>	<u>826,148</u>
Total Expenses	<u>2,777,511</u>	<u>-</u>	<u>2,777,511</u>
CHANGE IN NET ASSETS FROM OPERATIONS	1,865,687	(693,304)	1,172,383
OTHER CHANGES			
Net depreciation in fair value on investments	<u>(631,261)</u>	<u>191,321</u>	<u>(439,940)</u>
CHANGE IN NET ASSETS	1,234,426	(501,983)	732,443
NET ASSETS:			
Beginning of year	4,901,682	4,036,012	8,937,694
Restated for change in accounting policies	1,953,406	1,995,814	3,949,220
Total	<u>6,855,088</u>	<u>6,031,826</u>	<u>12,886,914</u>
NET ASSETS, end of year	<u>\$ 8,089,514</u>	<u>\$ 5,529,843</u>	<u>\$ 13,619,357</u>

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Program Services	Support Services		Total
	Legal Defense and Research	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 1,190,821	\$ 161,803	\$ 189,466	\$ 1,542,090
Payroll taxes	86,366	11,735	13,741	111,842
Employee benefits	142,108	19,309	22,610	184,027
Subtotal Personnel Costs	1,419,295	192,847	225,817	1,837,959
Accounting	-	10,000	-	10,000
Bank service charges	-	8,339	-	8,339
Computer research	21,336	-	-	21,336
Consultant	53,047	234,260	-	287,307
Depreciation and amortization	-	27,001	-	27,001
Dues and subscriptions	24,518	3,503	3,821	31,842
Equipment rental	28,870	4,125	4,499	37,494
Insurance	14,367	2,053	2,239	18,659
Legal services	27,702	-	-	27,702
Marketing	2,772	-	2,772	5,544
Miscellaneous	998	896	100	1,994
Office supplies and expenses	6,542	1,729	385	8,656
Postage and delivery	1,348	1,522	79	2,949
Printing	13,051	1,864	2,034	16,949
Professional fees	-	4,375	-	4,375
Relocation	-	3,721	-	3,721
Rent	245,749	46,078	15,359	307,186
Repairs and maintenance	-	1,801	-	1,801
Software development	28,701	-	-	28,701
Taxes and licenses	818	817	14,716	16,351
Telephone	13,042	1,534	767	15,343
Travel	49,207	7,095	-	56,302
Total	\$ 1,951,363	\$ 553,560	\$ 272,588	\$ 2,777,511

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	732,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization		27,001
Net depreciation in fair value of investments		439,940
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Contributions receivable		(68,391)
Prepaid expenses		13,503
Security deposit		8,500
Increase (decrease) in liabilities:		
Accounts payable		(23,578)
Accrued payroll		14,238
Deferred rent		688,274
Net Cash Provided by Operating Activities		1,831,930

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment		(670,651)
Proceeds from sale of investments		5,490,843
Purchases of investments		(6,531,065)
Net Cash Used for Investing Activities		(1,710,873)

NET CHANGE IN CASH AND CASH EQUIVALENTS 121,057

CASH AND CASH EQUIVALENTS:

Beginning of year		689,020
End of year	\$	810,077

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, 2018

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, which includes its staff attorneys and several news outlets, 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, 2018
(continued)

NOTE B- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

Previously, the Committee had prepared its financial statements on the cash basis of accounting. Under this method, revenue and support was recognized when received rather than when earned, and expenses were recognized when paid rather than when the related obligation is incurred. However, effective January 1, 2018, the Committee changed its method of accounting to the accrual basis, in which revenue and related assets are recognized when earned, and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, the Committee adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities.

The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements.

Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic *Not-for-Profit Entities*. In accordance with the topic, net assets, revenue, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Accordingly, the net assets of the Committee and changes therein, are classified and reported as follows:

Net Assets without Donor Restrictions - Net assets not subject to donor-imposed stipulations.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Financial Statement Presentation (continued)

Net Assets with Donor Restrictions - Net assets subject to donor-imposed restrictions that will be met by either actions of the Committee and/or the passage of time, or that must be maintained permanently by the Committee. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Committee considers all highly liquid investments with original maturities of three months or less to be cash equivalents except those included as part of an investment portfolio. Cash and cash equivalents in non-interest-bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed this limit; however, the Committee believes it is not exposed to any significant credit risk on cash or cash equivalents.

Contributions Receivable

Contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection, and existing economic conditions. Receivables deemed uncollectible are charged off based on specific circumstances of the parties involved. The Committee believes all receivables are collectible. Therefore, no allowance for doubtful accounts was established as of December 31, 2018.

Property and Equipment

Property and equipment are stated at cost or, if donated, at fair value as of the date of donation. The cost of property and equipment is depreciated using the straight-line method over the estimated useful lives of the assets, generally three years. Expenditures greater than \$500 that extend the useful life of the asset are capitalized while the cost of maintenance, repairs, and minor replacements are charged to expense as incurred. Leasehold improvements are amortized over the lesser of the asset's useful lives of the related assets or the lease term.

Investments

Investments are reported at fair value based on quoted market prices, if available. Interest is recognized on the accrual basis. Dividends are recognized on the ex-dividend date. Net appreciation or depreciation in the fair value of investments and interest and dividends are recognized in the period in which such changes occur and is presented separately in the statements of activities as non-operating.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Contributions and Grants

Contributions and grants are recognized as revenue in the period in which they are received. 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 net assets with donor restrictions in the accompanying financial statements.

Donated Stock

Contributions of securities are recognized at fair value on the date of the contribution. During the year, the Committee received donated stock with a fair value of \$1,959, which is reflected on the statement of activities for the year ended December 31, 2018.

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 the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Methods Used for Allocation of Expenses for Management and General Activities

The financial statements report certain categories of expenses that are attributable to one or more program or supporting services of the Committee. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Those expenses include depreciation, office expenses and occupancy, and are allocated on the basis of salaries and related costs, which are allocated on the basis of estimates of time and effort.

Prior Period Adjustment

As a result of the Committee correcting an error by changing its basis of accounting from cash to accrual, beginning net assets was restated, which is reflected on the statement of activities.

Deferred Rent

The Committee recognizes rent expense on a straight-line basis over the term of the lease. Deferred rent liability is recorded as the excess of rent expense on a straight-line basis to cash outlays.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

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, 2015 through 2017 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 – AVAILABLE RESOURCES AND LIQUIDITY

The Committee's management regularly monitors liquidity requirements to ensure that on-going operating needs and other contractual commitments are met. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to the Committee include financial assets consisting of cash and cash equivalents, contributions receivable, and investments.

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, the Committee considers all expenditures related to its ongoing activities that supports its legal defense and research programs as well as the conduct of services undertaken to support those activities to be general expenditures.

As of December 31, 2018, total financial assets held by the Committee and the amounts of those financial assets that could readily be made available within one year of the balance sheet date to meet general expenditures were as follows:

Cash and cash equivalents	\$ 810,077
Contributions receivable	1,188,391
Investments	<u>11,587,832</u>
Total Financial Assets	13,586,300
Less investments encumbered by board restrictions	(834,788)
Less cash encumbered by donor restrictions	<u>(5,529,843)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u><u>\$ 7,221,669</u></u>

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE E –NET ASSETS WITH DONOR RESTRICTIONS

Endowment

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the provisions of which apply to endowment funds existing on or established after that date. The Committee is required to act prudently when making decisions to spend or accumulate donor restricted endowment assets and in doing so, to consider a number of factors including the duration and preservation of its donor restricted endowment funds. As a result of this interpretation, the Committee classified as net assets with donor restrictions the original value of gifts donated to be held in perpetuity. Any remaining portion of the donor-restricted endowment fund that is not classified as net assets with donor restrictions is classified as net assets without donor restrictions when those amounts are appropriated for expenditure by the Committee in a manner consistent with the standard of prudence prescribed by UPMIFA.

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 2018, 3.5% of the Knight Fund was released, which totaled \$186,848, and administrative fees totaling \$18,178 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 with donor restrictions due to time restrictions.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE E –NET ASSETS WITH DONOR RESTRICTIONS - continued

Endowment (continued)

The Committee’s endowment net assets consist of the following as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 4,000,000	\$ 4,000,000
Portion subject to appropriation for expenditures	-	1,241,746	1,241,746
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,241,746</u>	<u>\$ 5,241,746</u>

Changes in the endowment net assets for the year ended December 31, 2018, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Endowment net assets, beginning of year	\$ -	\$ 5,576,464	\$ 5,576,464
Investment return, net	-	(129,692)	(129,692)
Appropriation of endowment assets for expenditures	-	(205,026)	(205,026)
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 5,241,746</u>	<u>\$ 5,241,746</u>

Other Net Assets With Donor Restrictions

The special projects represent grants and contributions restricted for the legal fellowship program, which totaled \$288,097 for the year ended December 31, 2018.

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Amount Released</u>	<u>Ending Balance</u>
Special Projects	<u>\$ 455,362</u>	<u>\$ 423,042</u>	<u>\$ (590,307)</u>	<u>\$ 288,097</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, 2018
(continued)

NOTE E – BOARD DESIGNATED - continued

Board designated fund balances for the year ended December 31, 2018, were as follow:

	Beginning Balance	Investment Income	Net Depreciation in Fair Value	Fees	Ending Balance
Jack Nelson/Dow Jones Legal Fellowship Fund	<u>\$ 868,479</u>	<u>\$ 22,419</u>	<u>\$ (54,914)</u>	<u>\$ (1,196)</u>	<u>\$ 834,788</u>

NOTE F - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements and Disclosures* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). Level 1 of the fair value hierarchy under FASB ASC 820 is described as inputs to the valuation methodology that are unadjusted quoted prices for identical assets or liabilities in active markets that the Committee has the ability to access.

The asset or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

- Level 1* Inputs are based on unadjusted quoted prices for identical assets traded in active markets that the Committee has the ability to access.
- Level 2* Inputs are based upon quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, or model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data.
- Level 3* Inputs are unobservable and significant to the fair value measurement.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

NOTE E – FAIR VALUE MEASUREMENTS - continued

The following valuation methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The Committee’s investments in mutual funds and equities are based on observable market quotations. The fair value of money market funds are valued by carrying amount, which approximates fair value. The fair values of corporate bonds, U.S. government and government agency securities, and municipal bonds have been provided by the Committee’s investment managers and custodian banks and use a variety of pricing sources to determine market valuations, including indexes for each sector of the market.

The following tables present the fair value hierarchy of the Committee’s investments measured at fair value on a recurring basis as of December 31, 2018:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 3,354,268	\$ -	\$ -	\$ 3,354,268
Certificates of Deposits	1,047,152	-	-	1,047,152
Equities	5,063,194	-	-	5,063,194
Corporate Bonds	-	201,861	-	201,861
U.S. Government and Gov't Agency Bonds	-	1,921,357	-	1,921,357
Total	<u>\$ 9,464,614</u>	<u>\$ 2,123,218</u>	<u>\$ -</u>	<u>\$11,587,832</u>

NOTE F – PROPERTY AND EQUIPMENT

As of December 31, 2018, property and equipment consisted of the following:

Furniture and equipment	\$ 163,799
Leasehold improvements	<u>530,162</u>
	693,961
Less: accumulated depreciation and amortization	<u>(34,174)</u>
Property and Equipment, Net	<u>\$ 659,787</u>

For the year ended December 31, 2018, depreciation and amortization expense totaled \$27,001.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018
(continued)

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 was extended, and now expires on May 31, 2030. The Committee also entered into a storage license agreement on November 18, 2014, which runs concurrent with the initial 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 \$307,186 for the year ended December 31, 2018. Future minimum lease payments are as follows as of December 31:

	<u>Office Lease</u>	<u>Storage Lease</u>
2019	\$ 317,255	\$ 2,759
2020	325,188	1,178
2021	333,327	-
2022	341,672	-
2023	350,222	-
2024 and thereafter	2,465,367	-
	<u>\$ 4,133,031</u>	<u>\$ 3,937</u>

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, 2018, totaled \$75,108.

NOTE I – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 3, 2019, 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.