

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

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

DECEMBER 31, 2019 AND 2018

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - Year Ended December 31, 2019	4
Statement of Activities - Year Ended December 31, 2018	5
Statement of Functional Expenses - Year Ended December 31, 2019	6
Statement of Functional Expenses - Year Ended December 31, 2018	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 – 21



JONES, MARESCA & MCQUADE, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

1730 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
(202) 296-3306
Fax: (202) 296-0059

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, 2019 and 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 audits 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, 2019 and 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.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, the Reporters Committee for Freedom of the Press adopted new accounting guidance, Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Jane Marusa & McQuade PA

Washington, DC
May 11, 2020

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	<u>ASSETS</u>	
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,440,080	\$ 810,077
Grants and contributions receivable	725,000	938,391
Prepaid expenses	123,162	61,173
Total Current Assets	2,288,242	1,809,641
OTHER ASSETS		
Grants and contributions receivable-long term, net of discount	682,500	250,000
Investments	12,846,956	11,587,832
Property and equipment, net	615,986	659,787
Security deposit	36,595	36,595
Total Other Assets	14,182,037	12,534,214
TOTAL ASSETS	<u>\$ 16,470,279</u>	<u>\$ 14,343,855</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 77,964	\$ 21,986
Accrued payroll	-	14,238
Deferred rent, current portion	41,509	41,509
Total Current Liabilities	119,473	77,733
OTHER LIABILITIES		
Deferred rent, net of current portion	690,182	646,765
Total Liabilities	809,655	724,498
NET ASSETS		
Without donor restrictions:		
Undesignated	7,794,091	7,254,726
Board designated long-term capital requirements	977,556	834,788
Total Net Assets without Donor Restrictions	8,771,647	8,089,514
With donor restrictions	6,888,977	5,529,843
Total Net Assets	15,660,624	13,619,357
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 16,470,279</u>	<u>\$ 14,343,855</u>

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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 2,083,986	\$ 1,320,125	\$ 3,404,111
Special events, net direct expenses of \$353,541	786,887	-	786,887
Program services	278,026	-	278,026
Interest and dividends	149,396	126,735	276,131
Miscellaneous income	39,562	-	39,562
Net assets released from restrictions	<u>141,055</u>	<u>(141,055)</u>	<u>-</u>
Total Revenue and Support	3,478,912	1,305,805	4,784,717
EXPENSES			
Program Services:			
Legal defense and research	3,100,644	-	3,100,644
Support Services:			
Management and general	625,604	-	625,604
Fundraising	<u>297,136</u>	<u>-</u>	<u>297,136</u>
Total Support Services	<u>922,740</u>	<u>-</u>	<u>922,740</u>
Total Expenses	4,023,384	-	4,023,384
CHANGE IN NET ASSETS FROM OPERATIONS	(544,472)	1,305,805	761,333
OTHER CHANGES			
Net appreciation in fair value on investments	<u>1,226,605</u>	<u>53,329</u>	<u>1,279,934</u>
CHANGE IN NET ASSETS	682,133	1,359,134	2,041,267
NET ASSETS, beginning of year	<u>8,089,514</u>	<u>5,529,843</u>	<u>13,619,357</u>
NET ASSETS, end of year	<u>\$ 8,771,647</u>	<u>\$ 6,888,977</u>	<u>\$ 15,660,624</u>

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

	Without Donor Restrictions	With Donor Restrictions	Total
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	<u>1,260,519</u>	<u>(1,260,519)</u>	-
Total Revenue and Support	4,643,198	(693,304)	3,949,894
EXPENSES			
Program Services:			
Legal defense and research	1,951,363	-	1,951,363
Support Services:			
Management and general	553,560	-	553,560
Fundraising	<u>272,588</u>	<u>-</u>	<u>272,588</u>
Total Support Services	<u>826,148</u>	<u>-</u>	<u>826,148</u>
Total Expenses	2,777,511	-	2,777,511
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	<u>1,953,406</u>	<u>1,995,814</u>	<u>3,949,220</u>
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, 2019

	Program Services		Support Services		Total
	Legal Defense and Research	Management and General	Fundraising		
Personnel costs:					
Salaries and wages	\$ 1,685,499	\$ 290,786	\$ 212,675	\$ 2,188,960	
Payroll taxes	130,637	22,055	16,966	169,658	
Employee benefits	177,553	29,977	23,059	230,589	
Subtotal Personnel Costs	<u>1,993,689</u>	<u>342,818</u>	<u>252,700</u>	<u>2,589,207</u>	
Accounting	-	17,500	-	17,500	
Bank service charges	-	12,565	-	12,565	
Computer research	17,832	-	-	17,832	
Consultant	489,511	146,217	-	635,728	
Depreciation and amortization	57,138	10,525	7,518	75,181	
Dues and subscriptions	74,983	15,581	6,817	97,381	
Equipment rental	11,059	1,580	1,723	14,362	
Insurance	19,148	3,232	2,487	24,867	
Legal services	31,972	-	-	31,972	
Marketing	16,491	-	-	16,491	
Office supplies and expenses	20,333	3,432	2,641	26,406	
Postage and delivery	5,777	976	750	7,503	
Printing	14,861	2,509	1,930	19,300	
Professional fees	-	3,500	-	3,500	
Rent	200,778	41,719	18,253	260,750	
Repairs and maintenance	-	2,084	-	2,084	
Software development	14,039	-	-	14,039	
Taxes and licenses	10,466	2,175	951	13,592	
Telephone	15,023	3,121	1,366	19,510	
Travel	107,544	16,070	-	123,614	
Total	<u>\$ 3,100,644</u>	<u>\$ 625,604</u>	<u>\$ 297,136</u>	<u>\$ 4,023,384</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	<u>1,419,295</u>	<u>192,847</u>	<u>225,817</u>	<u>1,837,959</u>	
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	<u>\$ 1,951,363</u>	<u>\$ 553,560</u>	<u>\$ 272,588</u>	<u>\$ 2,777,511</u>	

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,041,267	\$ 732,443
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	75,181	27,001
Net (appreciation) depreciation in fair value of investments	(1,279,934)	439,940
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and contributions receivable	(219,109)	(68,391)
Prepaid expenses	(61,989)	13,503
Security deposit	-	8,500
Increase (decrease) in liabilities:		
Accounts payable	55,978	(23,578)
Accrued payroll	(14,238)	14,238
Deferred rent	43,417	688,274
Net Cash Provided by Operating Activities	<u>640,573</u>	<u>1,831,930</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(31,380)	(670,651)
Proceeds from sale of investments	8,866,761	5,490,843
Purchases of investments	<u>(8,845,951)</u>	<u>(6,531,065)</u>
Net Cash Used for Investing Activities	<u>(10,570)</u>	<u>(1,710,873)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	630,003	121,057
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>810,077</u>	<u>689,020</u>
End of year	<u>\$ 1,440,080</u>	<u>\$ 810,077</u>

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, AND 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 and maintains a blog, and various online legal guides and other materials, including the FOLA wiki, 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 participates in a coalition of non-profit media organizations advocating for stronger public records laws.

Litigation - The Committee's litigation practice, which includes its staff attorneys, 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, AND 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Committee are prepared using the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncements

The Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. The Committee has implemented Topic 606.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Committee has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

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.

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.

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

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Committee considers all highly liquid money market funds and certificates of deposit 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.

Grants and Contributions Receivable

Grants and 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 circumstances of the parties involved. The Committee believes all receivables are collectible. Therefore, no allowance for doubtful accounts was established as of December 31, 2019 and 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.

Donated Stock

Contributions of securities are recognized at fair value on the date of the contribution. For the years ended December 31, 2019 and 2018, the Committee received donated stock with a fair value of \$4,562 and \$1,959, respectively, which are included in grants and contributions on the statements of activities.

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, AND 2018
(continued)

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Contributions and Grants

The Committee recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as without donor restrictions. The Committee reports expirations of donor restrictions when the donated long-lived assets are acquired or placed in service. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as without donor restrictions support.

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 expended.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, AND 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, 2016 through 2018 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. The Committee anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over a 12-month period. Although the Committee had net assets with donor restrictions totaling \$805,469 as of December 31, 2019, these funds are expected to be available for spending over the next 12 months.

Although the Committee does not intend to spend from its board designated reserves, other than amounts appropriated for expenditure, funds could be made available through board resolution, if necessary.

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.

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

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

The Committee's financial assets available within one year of the balance sheet date for general expenditure are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,440,080	\$ 810,077
Contributions receivable	1,407,500	1,188,391
Investments	<u>12,846,956</u>	<u>11,587,832</u>
Total Financial Assets	15,694,536	13,586,300
Less investments encumbered by board restrictions	(977,556)	(834,788)
Less cash encumbered by donor restrictions	<u>(5,971,308)</u>	<u>(5,241,746)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures	<u>\$ 8,745,672</u>	<u>\$ 7,509,766</u>

NOTE E – GRANTS AND CONTRIBUTIONS RECEIVABLE

The following schedule summarizes the grants and contributions receivable as of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Amount due in one year or less	\$ 725,000	\$ 938,391
Amount due between one year and five years	700,000	250,000
Less: discount at 2.5%	(17,500)	-
Total contributions receivable, net of discount	<u>\$ 1,407,500</u>	<u>\$ 1,188,391</u>

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

NOTE F – 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, for the years ended December 31, 2019 and 2018, 4.6% and 3.5% of the Knight Fund was released, respectively, which totaled \$277,561 and \$186,848, and administrative fees totaling \$15,435 and \$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, AND 2018
(continued)

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS - continued

The Committee's endowment net assets consist of the following as of December 31, 2019:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
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	- -	1,971,308	1,971,308
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 5,971,308</u>	<u>\$ 5,971,308</u>

Changes in the endowment net assets for the year ended December 31, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
Endowment net assets, beginning of year	\$ -	\$ 5,241,746	\$ 5,241,746
Investment return, net	- -	1,022,558	1,022,558
Appropriation of endowment assets for expenditures	- -	(292,996)	(292,996)
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 5,971,308</u>	<u>\$ 5,971,308</u>

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

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
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:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
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>

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

NOTE F – NET ASSETS WITH DONOR RESTRICTIONS - continued

Other Net Assets With Donor Restrictions

The special projects represent grants and contributions restricted for the legal fellowship program, which totaled \$917,669 for the year ended December 31, 2019.

	<u>Beginning Balance</u>	<u>Contributions</u>	<u>Amount Released</u>	<u>Ending Balance</u>
Special Projects	<u>\$ 288,097</u>	<u>\$ 1,155,186</u>	<u>\$ (525,614)</u>	<u>\$ 917,669</u>

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 G – 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, 2019, were as follow:

	<u>Net</u>				
	<u>Beginning Balance</u>	<u>Investment Income</u>	<u>Appreciation in Fair Value</u>	<u>Fees</u>	<u>Ending Balance</u>
Jack Nelson/Dow Jones Legal Fellowship Fund	<u>\$ 834,788</u>	<u>\$ 20,679</u>	<u>\$ 124,487</u>	<u>\$ (2,398)</u>	<u>\$ 977,556</u>

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

NOTE G – BOARD DESIGNATED - continued

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

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

NOTE H – 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, AND 2018
(continued)

NOTE H – 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, 2019:

	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 4,173,056	\$ -	\$ -	\$ 4,173,056
Certificates of Deposits	982,114	-	-	982,114
Equities	6,177,788	-	-	6,177,788
Corporate Bonds	-	207,902	-	207,902
U.S. Treasury Bonds		1,306,096		1,306,096
Total	<u>\$11,332,958</u>	<u>\$ 1,513,998</u>	<u>\$ -</u>	<u>\$12,846,956</u>

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. Treasury 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>

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

NOTE I – PROPERTY AND EQUIPMENT

As of December 31, 2019 and 2018, property and equipment consisted of the following:

	<u>2019</u>	<u>2018</u>
Furniture and equipment	\$ 195,179	\$ 163,799
Leasehold improvements	<u>530,162</u>	<u>530,162</u>
	725,341	693,961
Less: accumulated depreciation and amortization	(109,355)	(34,174)
Property and Equipment, Net	<u>\$ 615,986</u>	<u>\$ 659,787</u>

For the year ended December 31, 2019 and 2018, depreciation and amortization expense totaled \$75,181 and \$27,001, respectively.

NOTE J – 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 \$260,750 and \$307,186 for the years ended December 31, 2019 and 2018, respectively. Future minimum lease payments are as follows as of December 31:

	<u>Office Lease</u>	<u>Storage Lease</u>
2020	325,188	1,178
2021	333,327	-
2022	341,672	-
2023	350,222	-
2024	358,978	-
2024 and thereafter	<u>2,106,389</u>	<u>-</u>
	<u>\$ 3,815,776</u>	<u>\$ 1,178</u>

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

NOTE K – 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 years ended December 31, 2019 and 2018, totaled \$102,595 and \$75,108, respectively.

NOTE L – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 11, 2020, 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.