

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

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

DECEMBER 31, 2020 AND 2019

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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, 2020 and 2019, 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, 2020 and 2019, 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 Marshall & M^oQuade PA

Washington, DC
May 7, 2021

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

	2020	2019
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,546,057	\$ 1,440,080
Grants and contributions receivable - current	1,116,231	725,000
Prepaid expenses	113,573	123,162
Total Current Assets	3,775,861	2,288,242
OTHER ASSETS		
Grants and contributions receivable - long term, net of discount	507,000	682,500
Investments	13,396,942	12,846,956
Property and equipment, net	532,072	615,986
Security deposit	36,595	36,595
Total Other Assets	14,472,609	14,182,037
TOTAL ASSETS	\$ 18,248,470	\$ 16,470,279
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 51,260	\$ 77,964
Accrued expenses	127,898	-
Deferred contributions revenue	318,337	-
Deferred rent, current portion	27,298	41,509
Total Current Liabilities	524,793	119,473
OTHER LIABILITIES		
PPP loan	464,400	-
Deferred rent, net of current portion	617,408	690,182
Total Liabilities	1,606,601	809,655
NET ASSETS		
Without donor restrictions:		
Undesignated	7,940,437	7,694,091
Board designated long-term capital requirements	1,096,518	977,556
Total Net Assets without Donor Restrictions	9,036,955	8,671,647
With donor restrictions	7,604,914	6,988,977
Total Net Assets	16,641,869	15,660,624
TOTAL LIABILITIES AND NET ASSETS	\$ 18,248,470	\$ 16,470,279

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, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 3,389,364	\$ 1,120,125	\$ 4,509,489
Program services	50,073	-	50,073
Interest and dividends	89,012	133,873	222,885
Other income	6,931	-	6,931
Net assets released from restrictions	639,260	(639,260)	-
Total Revenue and Support	<u>4,174,640</u>	<u>614,738</u>	<u>4,789,378</u>
EXPENSES			
Program Services:			
Legal defense and research	2,645,964	-	2,645,964
Support Services:			
Management and general	906,075	-	906,075
Fundraising	818,859	-	818,859
Total Support Services	<u>1,724,934</u>	<u>-</u>	<u>1,724,934</u>
Total Expenses	<u>4,370,898</u>	<u>-</u>	<u>4,370,898</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(196,258)	614,738	418,480
OTHER CHANGES			
Net appreciation in fair value on investments	<u>561,566</u>	<u>1,199</u>	<u>562,765</u>
CHANGE IN NET ASSETS	365,308	615,937	981,245
NET ASSETS, beginning of year	<u>8,671,647</u>	<u>6,988,977</u>	<u>15,660,624</u>
NET ASSETS, end of year	<u><u>\$ 9,036,955</u></u>	<u><u>\$ 7,604,914</u></u>	<u><u>\$ 16,641,869</u></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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants and contributions	\$ 1,983,986	\$ 1,420,125	\$ 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	141,055	(141,055)	-
Total Revenue and Support	<u>3,378,912</u>	<u>1,405,805</u>	<u>4,784,717</u>
EXPENSES			
Program Services:			
Legal defense and research	3,100,644	-	3,100,644
Support Services:			
Management and general	625,604	-	625,604
Fundraising	297,136	-	297,136
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	(644,472)	1,405,805	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	582,133	1,459,134	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><u>\$ 8,671,647</u></u>	<u><u>\$ 6,988,977</u></u>	<u><u>\$ 15,660,624</u></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, 2020

	Program Services	Support Services		Total
	Legal Defense and Research	Management and General	Fundraising	
Personnel costs:				
Salaries and wages	\$ 1,869,316	\$ 509,144	\$ 419,337	\$ 2,797,797
Payroll taxes	146,590	42,159	29,389	218,138
Employee benefits	218,564	58,968	47,499	325,031
Subtotal Personnel Costs	2,234,470	610,271	496,225	3,340,966
Accounting	-	18,550	-	18,550
Bank service charges	-	8,888	-	8,888
Computer research	24,468	-	-	24,468
Consultant	43,879	74,557	237,210	355,646
Depreciation	60,217	16,246	13,087	89,550
Dues and subscriptions	29,390	29,493	6,786	65,669
Equipment rental	12,629	5,028	-	17,657
Insurance	7,727	7,739	-	15,466
Legal services	34,651	-	-	34,651
Marketing	3,723	5,401	150	9,274
Office supplies and expenses	5,667	8,703	993	15,363
Postage and delivery	1,318	413	5,323	7,054
Printing	495	842	19,406	20,743
Professional fees	-	13,869	-	13,869
Rent	162,202	43,761	35,250	241,213
Repairs and maintenance	-	1,230	-	1,230
Software development	2,177	29,568	-	31,745
Taxes and licenses	-	11,199	-	11,199
Telephone	5,187	14,577	18	19,782
Travel	17,764	5,740	4,411	27,915
Total	\$ 2,645,964	\$ 906,075	\$ 818,859	\$ 4,370,898

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	1,993,689	342,818	252,700	2,589,207
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	\$ 3,100,644	\$ 625,604	\$ 297,136	\$ 4,023,384

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, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 981,245	\$ 2,041,267
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	89,550	75,181
Donated stock	(589)	(4,562)
Net appreciation in fair value of investments	(562,765)	(1,279,934)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Grants and contributions receivable	(215,731)	(219,109)
Prepaid expenses	9,589	(61,989)
Increase (decrease) in liabilities:		
Accounts payable	(26,704)	55,978
Accrued expenses	127,898	(14,238)
Deferred rent	(86,985)	43,417
Deferred revenue	318,337	-
Net Cash Provided by Operating Activities	633,845	636,011
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,636)	(31,380)
Proceeds from sale of investments	283,231	8,866,761
Purchases of investments	(269,863)	(8,841,389)
Net Cash Provided by (Used for) Investing Activities	7,732	(6,008)
CASH FLOWS FROM FINANCING ACTIVITIES		
PPP Loan proceeds	464,400	-
Net Cash Provided by Financing Activities	464,400	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,105,977	630,003
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,440,080	810,077
End of year	\$ 2,546,057	\$ 1,440,080

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, 2020 AND 2019

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 program 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 guides 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. The legal defense and research program includes the following:

Pre-publication legal services – The Committee provides these services to freelance and independent journalists including documentary filmmakers.

Publications - The Committee publishes and maintains a blog, various online legal guides and other materials, including the Freedom of Information Act (FOIA) 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.

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.

Starting in 2020, the Committee expanded its program with Local Legal Initiative attorneys based in five states — Colorado, Oklahoma, Oregon, Pennsylvania and Tennessee — to help local journalists and news organizations defend their rights to gather and report the news, gain access to public records and court proceedings, and hold state and local government agencies and officials accountable.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE A – NATURE OF THE ORGANIZATION – continued

Legal Defense and Research – continued

The states were selected from more than 45 submissions the Committee received from over 30 states, regions and territories nationwide as part of a proposal process conducted in 2019.

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.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board Accounting Standards Codification 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.

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, accounts may exceed this limit; however, the Committee believes it is not exposed to any significant credit risk on cash or cash equivalents.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Grants and Contributions Receivable

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Amounts expected to be collected within one year are recorded at the net realizable value. Promises to give that are expected to be collected in the future are recorded at the present value of their estimated future cash flows. The discount on non-current grants receivable is computed using a discount rate of 2.5%. As of December 31, 2020 and 2019, the discount was \$13,000 and \$17,500, respectively.

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 as of December 31, 2020 and 2019, therefore no allowance for doubtful accounts was established.

Donated Stock

Contributions of securities are recognized at fair value on the date of the contribution. For the years ended December 31, 2020 and 2019, the Committee received donated stock with a fair value of \$589 and \$4,562, 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.

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.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(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, or an unconditional promise to give 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.

Program Services

Program services largely represents fees received in litigation settlements, which are recognized as revenue when the Committee is awarded a settlement.

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, 2020 AND 2019
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Reclassifications

For the year ended December 31, 2019, the Committee has reclassified \$100,000 of grants and contributions revenue from net assets without donor restrictions to net assets with donor restrictions. The reclassification had no effect on total net assets or total changes in net assets as previously reported.

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, 2017 through 2019 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 ongoing operating needs and 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, grants and contributions receivable, and investments. The Committee anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over a 12-month period. Additionally, the Committee has net assets with donor restrictions for special projects totaling \$1,377,944 as of December 31, 2020 that are expected to be available for spending over the next 12 months.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

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 Committee’s financial assets available within one year of the balance sheet date for general expenditure are as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 2,546,057	\$ 1,440,080
Grants and contributions receivable	1,623,231	1,407,500
Investments	<u>13,396,942</u>	<u>12,846,956</u>
Total Financial Assets	17,566,230	15,694,536
Less: grants and contributions receivable, net of current	(507,000)	(682,500)
Less: investments encumbered by board restrictions	(1,096,518)	(977,556)
Less: investments encumbered by donor restrictions	<u>(6,226,970)</u>	<u>(5,971,308)</u>
Total Financial Assets Available to Meet Cash Needs for General Expenditures	<u>\$ 9,735,742</u>	<u>\$ 8,063,172</u>

NOTE E – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2020</u>	<u>2019</u>
Amount due in one year or less	\$ 1,116,231	\$ 725,000
Amount due between one year and five years	520,000	700,000
Less: discount at 2.5%	(13,000)	(17,500)
Total contributions receivable, net of discount	<u>\$ 1,623,231</u>	<u>\$ 1,407,500</u>

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019
(continued)

NOTE F – 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, 2020 and 2019, 5% of the Knight Fund was released, which totaled \$283,231 and \$277,561, respectively, and administrative fees totaling \$21,320 and \$15,435, respectively, 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 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, 2020 AND 2019
(continued)

NOTE F – ENDOWMENT – continued

The Committee’s endowment net assets consist of the following as of December 31, 2020:

	<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	-	2,226,970	2,226,970
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 6,226,970</u>	<u>\$ 6,226,970</u>

Changes in the endowment net assets for the year ended December 31, 2020, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Endowment net assets, beginning of year	\$ -	\$ 5,971,308	\$ 5,971,308
Investment return, net	-	560,213	560,213
Appropriation of endowment assets for expenditures	-	(304,551)	(304,551)
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 6,226,970</u>	<u>\$ 6,226,970</u>

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

	<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	-	1,971,308	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:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
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>

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NOTE G – OTHER NET ASSETS WITH DONOR RESTRICTIONS

The special projects represent grants and contributions restricted for the legal fellowship program, which totaled \$1,377,944 for the year ended December 31, 2020:

	Beginning Balance	Contributions	Amount Released	Ending Balance
Special Projects	<u>\$ 1,017,669</u>	<u>\$ 1,403,356</u>	<u>\$ (1,043,081)</u>	<u>\$ 1,377,944</u>

The special projects represent grants and contributions restricted for the legal fellowship program, which totaled \$1,017,669 for the year ended December 31, 2019:

	Beginning Balance	Contributions	Amount Released	Ending Balance
Special Projects	<u>\$ 288,097</u>	<u>\$ 1,255,186</u>	<u>\$ (525,614)</u>	<u>\$ 1,017,669</u>

NOTE H – BOARD DESIGNATED

The Steering 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 years ended December 31, 2020 and 2019, were as follows:

	2020	2019
Beginning balance	\$ 977,556	\$ 834,788
Investment income	20,225	20,679
Net appreciation in fair value	102,369	124,487
Less: Advisory fees	<u>(3,632)</u>	<u>(2,398)</u>
Ending balance	<u>\$ 1,096,518</u>	<u>\$ 977,556</u>

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NOTE I – 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 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.

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NOTE I – FAIR VALUE MEASUREMENTS – continued

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, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money Market Funds	\$ 4,994,640	\$ -	\$ -	\$ 4,994,640
Certificates of Deposits	891,920	-	-	891,920
Equities	6,765,646	-	-	6,765,646
Corporate Bonds	-	160,194	-	160,194
U.S. Treasury Bonds	-	584,542	-	584,542
Total	<u>\$12,652,206</u>	<u>\$ 744,736</u>	<u>\$ -</u>	<u>\$13,396,942</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, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
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>

NOTE J – PROPERTY AND EQUIPMENT

As of December 31, 2020 and 2019, property and equipment consisted of the following:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 200,815	\$ 195,179
Leasehold improvements	530,162	530,162
	<u>730,977</u>	<u>725,341</u>
Less: accumulated depreciation	(198,905)	(109,355)
Property and Equipment, Net	<u>\$ 532,072</u>	<u>\$ 615,986</u>

For the years ended December 31, 2020 and 2019, depreciation and amortization expense totaled \$89,550 and \$75,181, respectively.

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NOTE K – NOTES PAYABLE

On May 1, 2020, the Committee secured \$464,400 with PNC Bank (the “Lender”) under the Small Business Administration’s Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts may be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan is made. If not used for the prescribed purpose, the loan is due on May 1, 2022, along with interest calculated at the rate of 1% per annum. Management believes it has met the requirements to obtain full forgiveness of the loan. As of December 31, 2020, the outstanding loan balance totaled \$464,400.

On February 12, 2021, the Committee secured \$553,005 with the Lender under the Small Business Administration’s Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. This loan can be used to cover certain expenses during the COVID-19 crisis. The loan amounts may be forgiven as long as the loan proceeds are used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan is made. If not used for the prescribed purpose, the loan is due on February 12, 2026, along with interest calculated at the rate of 1% per annum.

NOTE L – 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 to expire on May 31, 2030. On March 19, 2019, the Committee further amended their lease, extending the lease term to expire on September 30, 2030.

The Committee also entered into a storage license agreement on November 18, 2014, which runs concurrent with the lease term.

Rent expense totaled \$241,213 and \$260,750 for the years ended December 31, 2020 and 2019, respectively.

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NOTE L – LEASE COMMITMENTS – continued

Future minimum lease payments are as follows:

	<u>Office Lease</u>	<u>Storage Lease</u>
2021	\$ 333,327	\$ 2,899
2022	341,672	2,972
2023	350,222	3,046
2024	358,978	3,122
2025	367,940	3,200
2026 and Thereafter	<u>1,876,352</u>	<u>16,337</u>
	<u>\$ 3,628,491</u>	<u>\$ 31,576</u>

NOTE M – PENSION PLAN

The Committee sponsors the Reporters Committee 401(k) Plan (the “Plan”), which covers substantially all employees over 21 years of age on the date of hire. Employees may contribute up to 90% of their compensation to the 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 Plan for the years ended December 31, 2020 and 2019, totaled \$123,182 and \$102,595, respectively.

NOTE N – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 7, 2021, the date the financial statements were available to be issued. Except as noted in Note K, there were no additional events or transactions that were discovered during the evaluation that required further recognition or disclosure.