

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

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

DECEMBER 31, 2021 AND 2020

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Independent Auditor's Report

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

Opinion

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, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Reporters Committee for Freedom of the Press and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Reporters Committee for Freedom of the Press's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Reporters Committee for Freedom of the Press's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Reporters Committee for Freedom of the Press's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Washington, DC
May 11, 2022

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 1,407,016 | \$ 2,546,057 |
| Grants and contributions receivable - current | 579,230 | 1,116,231 |
| Prepaid expenses | 108,580 | 113,573 |
| Total Current Assets | 2,094,826 | 3,775,861 |
| OTHER ASSETS | | |
| Grants and contributions receivable - long term, net of discount | 503,167 | 507,000 |
| Investments | 16,014,042 | 13,396,942 |
| Property and equipment, net | 465,856 | 532,072 |
| Security deposit | 36,595 | 36,595 |
| Total Other Assets | 17,019,660 | 14,472,609 |
| TOTAL ASSETS | \$ 19,114,486 | \$ 18,248,470 |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 35,295 | \$ 51,260 |
| Accrued expenses | 165,514 | 127,898 |
| Deferred revenue | 40,000 | 318,337 |
| Deferred rent, current portion | 35,643 | 27,298 |
| Total Current Liabilities | 276,452 | 524,793 |
| OTHER LIABILITIES | | |
| PPP loan | - | 464,400 |
| Deferred rent, net of current portion | 581,765 | 617,408 |
| Total Liabilities | 858,217 | 1,606,601 |
| NET ASSETS | | |
| Without donor restrictions: | | |
| Undesignated | 8,204,503 | 7,940,437 |
| Board designated long-term capital requirements | 1,222,577 | 1,096,518 |
| Total Net Assets without Donor Restrictions | 9,427,080 | 9,036,955 |
| With donor restrictions | 8,829,189 | 7,604,914 |
| Total Net Assets | 18,256,269 | 16,641,869 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 19,114,486 | \$ 18,248,470 |

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, 2021

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Total</u> |
|--|---------------------------------------|------------------------------------|----------------------|
| REVENUE AND SUPPORT | | | |
| Grants and contributions | \$ 1,891,731 | \$ 2,326,993 | \$ 4,218,724 |
| Program services | 73,413 | - | 73,413 |
| Interest and dividends | 196,739 | 189,667 | 386,406 |
| Forgiveness of PPP loans | 1,017,405 | - | 1,017,405 |
| Other income | 639 | - | 639 |
| Net assets released from restrictions | 1,848,349 | (1,848,349) | - |
| Total Revenue and Support | <u>5,028,276</u> | <u>668,311</u> | <u>5,696,587</u> |
| EXPENSES | | | |
| Program Services: | | | |
| Legal defense and research | 2,892,410 | - | 2,892,410 |
| Support Services: | | | |
| Management and general | 1,289,412 | - | 1,289,412 |
| Fundraising | 1,018,732 | - | 1,018,732 |
| Total Support Services | <u>2,308,144</u> | <u>-</u> | <u>2,308,144</u> |
| Total Expenses | 5,200,554 | - | 5,200,554 |
| CHANGE IN NET ASSETS FROM OPERATIONS | (172,278) | 668,311 | 496,033 |
| OTHER CHANGES | | | |
| Net appreciation in fair value on investments | 562,403 | 555,964 | 1,118,367 |
| CHANGE IN NET ASSETS | 390,125 | 1,224,275 | 1,614,400 |
| NET ASSETS, beginning of year | <u>9,036,955</u> | <u>7,604,914</u> | <u>16,641,869</u> |
| NET ASSETS, end of year | <u>\$ 9,427,080</u> | <u>\$ 8,829,189</u> | <u>\$ 18,256,269</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, 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 |
| Miscellaneous 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 FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2021

| | Program Services | Support Services | | | Total |
|------------------------------|-------------------------------|---------------------------|--------------|---------------------------|--------------|
| | Legal Defense and Research | Management and General | Fundraising | Total Support Services | |
| Personnel Costs: | | | | | |
| Salaries and wages | \$ 2,189,021 | \$ 519,139 | \$ 465,995 | \$ 985,134 | \$ 3,174,155 |
| Payroll taxes | 181,126 | 45,126 | 34,696 | 79,822 | 260,948 |
| Employee benefits | 282,260 | 70,735 | 58,687 | 129,422 | 411,682 |
| Subtotal Personnel Costs | 2,652,407 | 635,000 | 559,378 | 1,194,378 | 3,846,785 |
| Accounting | - | 19,000 | - | 19,000 | 19,000 |
| Bank service charges | - | 976 | 8,327 | 9,303 | 9,303 |
| Computer research | 27,747 | - | - | - | 27,747 |
| Consultant | 9,615 | 151,711 | 400,646 | 552,357 | 561,972 |
| Depreciation | - | 80,103 | - | 80,103 | 80,103 |
| Dues and subscriptions | 49,173 | 51,798 | 7,238 | 59,036 | 108,209 |
| Equipment rental | 11,630 | 4,621 | - | 4,621 | 16,251 |
| Insurance | 11,526 | 3,778 | - | 3,778 | 15,304 |
| Legal services | 49,686 | - | - | - | 49,686 |
| Marketing | 5,803 | 3,889 | 1,574 | 5,463 | 11,266 |
| Office supplies and expenses | 3,352 | 4,115 | 1,620 | 5,735 | 9,087 |
| Postage and delivery | 1,752 | 675 | 7,769 | 8,444 | 10,196 |
| Printing | 830 | 120 | 13,507 | 13,627 | 14,457 |
| Professional fees | - | 14,088 | - | 14,088 | 14,088 |
| Relocation | 1,000 | - | - | - | 1,000 |
| Rent | 43,174 | 274,133 | - | 274,133 | 317,307 |
| Software development | 266 | 34,900 | - | 34,900 | 35,166 |
| Taxes and licenses | 409 | 315 | 6,755 | 7,070 | 7,479 |
| Telephone | 14,610 | 2,510 | 1,730 | 4,240 | 18,850 |
| Travel | 9,430 | 7,680 | 10,188 | 17,868 | 27,298 |
| Total Expenses | \$ 2,892,410 | \$ 1,289,412 | \$ 1,018,732 | \$ 2,308,144 | \$ 5,200,554 |

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 | Total Support Services | |
| Personnel Costs: | | | | | |
| Salaries and wages | \$ 1,869,316 | \$ 509,144 | \$ 419,337 | \$ 928,481 | \$ 2,797,797 |
| Payroll taxes | 146,590 | 42,159 | 29,389 | 71,548 | 218,138 |
| Employee benefits | 218,564 | 58,968 | 47,499 | 106,467 | 325,031 |
| Subtotal Personnel Costs | 2,234,470 | 610,271 | 496,225 | 1,106,496 | 3,340,966 |
| Accounting | - | 18,550 | - | 18,550 | 18,550 |
| Bank service charges | - | 8,888 | - | 8,888 | 8,888 |
| Computer research | 24,468 | - | - | - | 24,468 |
| Consultant | 43,879 | 74,557 | 237,210 | 311,767 | 355,646 |
| Depreciation | 60,217 | 16,246 | 13,087 | 29,333 | 89,550 |
| Dues and subscriptions | 29,390 | 29,493 | 6,786 | 36,279 | 65,669 |
| Equipment rental | 12,629 | 5,028 | - | 5,028 | 17,657 |
| Insurance | 7,727 | 7,739 | - | 7,739 | 15,466 |
| Legal services | 34,651 | - | - | - | 34,651 |
| Marketing | 3,723 | 5,401 | 150 | 5,551 | 9,274 |
| Office supplies and expenses | 5,667 | 8,703 | 993 | 9,696 | 15,363 |
| Postage and delivery | 1,318 | 413 | 5,323 | 5,736 | 7,054 |
| Printing | 495 | 842 | 19,406 | 20,248 | 20,743 |
| Professional fees | - | 13,869 | - | 13,869 | 13,869 |
| Rent | 162,202 | 43,761 | 35,250 | 79,011 | 241,213 |
| Repairs and maintenance | - | 1,230 | - | 1,230 | 1,230 |
| Software development | 2,177 | 29,568 | - | 29,568 | 31,745 |
| Taxes and licenses | - | 11,199 | - | 11,199 | 11,199 |
| Telephone | 5,187 | 14,577 | 18 | 14,595 | 19,782 |
| Travel | 17,764 | 5,740 | 4,411 | 10,151 | 27,915 |
| Total Expenses | \$ 2,645,964 | \$ 906,075 | \$ 818,859 | \$ 1,724,934 | \$ 4,370,898 |

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, 2021 AND 2020

| | 2021 | 2020 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 1,614,400 | \$ 981,245 |
| Adjustments to reconcile change in net assets to net cash (used for) provided by operating activities: | | |
| Depreciation | 80,103 | 89,550 |
| Donated stock | (446) | (589) |
| Stock dividends | (640) | - |
| Forgiveness of PPP loans | (1,017,405) | - |
| Net appreciation in fair value of investments | (1,118,367) | (562,765) |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in assets: | | |
| Grants and contributions receivable | 540,834 | (215,731) |
| Prepaid expenses | 4,993 | 9,589 |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (15,965) | (26,704) |
| Accrued expenses | 37,616 | 127,898 |
| Deferred revenue | (278,337) | 318,337 |
| Deferred rent | (27,298) | (86,985) |
| Net Cash (Used for) Provided by Operating Activities | (180,512) | 633,845 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (13,887) | (5,636) |
| Proceeds from sales of investments | - | 283,231 |
| Purchases of investments | (1,497,647) | (269,863) |
| Net Cash (Used for) Provided by Investing Activities | (1,511,534) | 7,732 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from PPP loans | 553,005 | 464,400 |
| Net Cash Provided by Financing Activities | 553,005 | 464,400 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (1,139,041) | 1,105,977 |
| CASH AND CASH EQUIVALENTS: | | |
| Beginning of year | 2,546,057 | 1,440,080 |
| End of year | \$ 1,407,016 | \$ 2,546,057 |

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, 2021 AND 2020

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’s revenue is primarily derived from grants and contributions.

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 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.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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.

Financial Statement Presentation

Financial statement presentation follows Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit Entities*. In accordance with ASC Topic 958, 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 in perpetuity 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 statements 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 investments portfolio. Cash and cash equivalents in certain accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, these accounts may exceed this limit; however, the Committee believes it is not exposed to any significant credit risk on cash and cash equivalents.

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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, 2021 and 2020, the discount was \$13,000.

Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collections, 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, 2021 and 2020, 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, 2021 and 2020, the Committee received donated stock with a fair value of \$446 and \$589, 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 to seven 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 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, 2021 AND 2020
(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.

Grants and Contributions

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 at a point in time 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.

Functional Allocation of Expenses

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

THE REPORTERS COMMITTEE FOR FREEDOM OF THE PRESS
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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 a 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 ended December 31, 2018 through 2020, 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 \$1,079,494 and \$1,377,944 as of December 31, 2021 and 2020, respectively, that are expected to be available for spending over the next 12 months, except in such cases where amounts are included in deductions of grants and contributions receivable, net of current portion.

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, 2021 AND 2020
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

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

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Cash and cash equivalents | \$ 1,407,016 | \$ 2,546,057 |
| Grants and contributions receivable | 1,082,397 | 1,623,231 |
| Investments | <u>16,014,042</u> | <u>13,396,942</u> |
| Total Financial Assets | 18,503,455 | 17,566,230 |
| Less: grants and contributions receivable, net of current | (503,167) | (507,000) |
| Less: investments encumbered by board designations | (1,222,577) | (1,096,518) |
| Less: investments encumbered by donor restrictions | <u>(7,749,695)</u> | <u>(6,226,970)</u> |
| Total Financial Assets Available to Meet Cash Needs for General Expenditures | <u>\$ 9,028,016</u> | <u>\$ 9,735,742</u> |

NOTE E – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

| | <u>2021</u> | <u>2020</u> |
|---|---------------------|---------------------|
| Amount due in one year or less | \$ 579,230 | \$ 1,116,231 |
| Amount due between one year and five years | 516,167 | 520,000 |
| Less: discount at 2.5% | <u>(13,000)</u> | <u>(13,000)</u> |
| Total contributions receivable, net of discount | <u>\$ 1,082,397</u> | <u>\$ 1,623,231</u> |

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NOTES TO THE FINANCIAL STATEMENTS
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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, 2021 and 2020, 5% of the Knight Fund was released, which totaled \$308,614 and \$283,231, respectively, and administrative fees totaling \$27,546 and \$21,320, 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.

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NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE F – ENDOWMENT – continued

The Committee’s endowment net assets consist of the following as of December 31, 2021:

| | <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 | - | 3,749,695 | 3,749,695 |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 7,749,695</u> | <u>\$ 7,749,695</u> |

Changes in the endowment net assets for the year ended December 31, 2021, were as follows:

| | <u>Without Donor Restrictions</u> | <u>With Donor Restrictions</u> | <u>Ending Balance</u> |
|--|---------------------------------------|------------------------------------|---------------------------|
| Endowment net assets, beginning of year | \$ - | \$ 6,226,970 | \$ 6,226,970 |
| Investment return, net | - | 1,858,885 | 1,858,885 |
| Appropriation of endowment assets for expenditures | - | (336,160) | (336,160) |
| Balance at December 31, 2021 | <u>\$ -</u> | <u>\$ 7,749,695</u> | <u>\$ 7,749,695</u> |

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> |

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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 \$1,079,494 and \$1,377,944 for the years ended December 31, 2021 and 2020, respectively:

| | Year Ended December 31, 2021 | | | |
|------------------|------------------------------|---------------|--------------------|-------------------|
| | Beginning Balance | Contributions | Amount Released | Ending Balance |
| Special Projects | \$ 1,377,944 | \$ 1,213,739 | \$ (1,512,189) | \$ 1,079,494 |
| | Year Ended December 31, 2020 | | | |
| | Beginning Balance | Contributions | Amount Released | Ending Balance |
| Special Projects | \$ 1,017,669 | \$ 1,403,356 | \$ (1,043,081) | \$ 1,377,944 |

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 as of December 31, 2021 and 2020, were as follows:

| | 2021 | 2020 |
|-----------------------------------|--------------|--------------|
| Beginning balance | \$ 1,096,518 | \$ 977,556 |
| Investment income | 29,304 | 20,225 |
| Net appreciation in fair value | 101,598 | 102,369 |
| Less: Advisory fees | (4,843) | (3,632) |
| Ending balance | \$ 1,222,577 | \$ 1,096,518 |

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NOTE I – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement*, 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 Topic 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 – fixed income and equities are based on observable market quotations. The fair value of money market funds are valued at carrying amount, which approximates fair value. The fair values of corporate bonds, U.S. Treasury 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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(continued)

NOTE I – FAIR VALUE MEASUREMENTS – continued

The following table presents the fair value hierarchy of the Committee’s investments measured at fair value on a recurring basis as of December 31, 2021:

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|----------------|---------------------|
| Money Market Funds | \$ 2,106,065 | \$ - | \$ - | \$ 2,106,065 |
| Certificates of Deposits | 418,229 | - | - | 418,229 |
| Equities | 10,342,448 | - | - | 10,342,448 |
| Mutual Funds - Fixed Income | 2,782,808 | - | - | 2,782,808 |
| U.S. Treasury Bonds | - | 364,492 | - | 364,492 |
| Total | <u>\$15,649,550</u> | <u>\$ 364,492</u> | <u>\$ -</u> | <u>\$16,014,042</u> |

The following table presents 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> |

NOTE J – PROPERTY AND EQUIPMENT

As of December 31, 2021 and 2020, property and equipment consisted of the following:

| | <u>2021</u> | <u>2020</u> |
|--------------------------------|-------------------|-------------------|
| Furniture and equipment | \$ 214,702 | \$ 200,815 |
| Leasehold improvements | 530,162 | 530,162 |
| | <u>744,864</u> | <u>730,977</u> |
| Less: accumulated depreciation | (279,008) | (198,905) |
| Property and Equipment, Net | <u>\$ 465,856</u> | <u>\$ 532,072</u> |

For the years ended December 31, 2021 and 2020, depreciation expense totaled \$80,103 and \$89,550, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
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NOTE K – PAYCHECK PROTECTION PROGRAM (“PPP”) LOAN

On May 1, 2020, the Committee secured a loan in the amount of \$464,400 with PNC Bank (the “Lender”) under the Small Business Administration (“SBA”) Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. This loan could be used to cover certain expenses during the COVID-19 crisis. The loan amounts would be forgiven as long as the loan proceeds were used to cover payroll costs, rent, certain mortgage interest, and utility costs over a period specified in the loan document after the loan was made. If not used for the prescribed purpose, the loan would become due on May 1, 2022, along with interest calculated at the rate of 1% per annum. As of December 31, 2020, the outstanding loan balance totaled \$464,400. On June 29, 2021, the Committee was notified by the SBA that the loan had been formally fully forgiven. The loan balance was recognized as forgiveness of PPP loans in the accompanying statement of activities for the year ended December 31, 2021.

On February 12, 2021, the Committee secured an additional PPP loan in the amount of \$553,005 with the Lender under the SBA with the same terms and conditions as the previous loan. If not used for the prescribed purpose, the loan would become due on February 12, 2026, along with interest calculated at the rate of 1% per annum. On October 22, 2021, the Committee was notified by the SBA that the loan had been formally fully forgiven. The loan balance was recognized as forgiveness of PPP loans in the accompanying statement of activities for the year ended December 31, 2021.

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 term of the lease for office space.

Rent expense totaled \$317,307 and \$241,213 for the years ended December 31, 2021 and 2020, respectively.

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NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE L – LEASE COMMITMENTS – continued

Future minimum lease payments are as follows for the years ending December 31:

| | <u>Office Lease</u> | <u>Storage Lease</u> |
|---------------------|---------------------|----------------------|
| 2022 | \$ 341,672 | \$ 2,972 |
| 2023 | 350,222 | 3,046 |
| 2024 | 358,978 | 3,122 |
| 2025 | 367,940 | 3,200 |
| 2026 | 377,124 | 3,280 |
| 2027 and Thereafter | 1,499,227 | 13,057 |
| | <u>\$ 3,295,163</u> | <u>\$ 28,677</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 contributed to the Plan. Total employer contributions to the Plan for the years ended December 31, 2021 and 2020 were \$151,916 and \$123,182, respectively.

NOTE N – SUBSEQUENT EVENTS

In preparing these financial statements, the Committee has evaluated events and transactions for potential recognition or disclosure through May 11, 2022, 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.