



## Audited Financial Statements

December 31, 2018

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Committee to Protect Journalists, Inc.

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of Committee to Protect Journalists, Inc. ("CPJ"), which comprise the statement of financial position as of December 31, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization'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 organization'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***

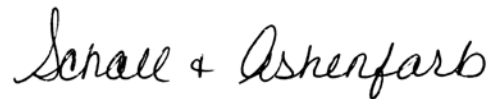
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Committee to Protect Journalists, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 2 to the financial statements, Youth, INC. adopted Accounting Standards Update No. 2016-14, "*Presentation of Financial Statements of Not-for-Profit Entities*" Topic (958). Our opinion is not modified with respect to this matter.

***Report on Summarized Comparative Information***

We have previously audited CPJ's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 9, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb  
Certified Public Accountants, LLC

May 22, 2019

**COMMITTEE TO PROTECT JOURNALISTS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 2018**  
(With comparative totals as of December 31, 2017)

**Assets**

	<u>12/31/18</u>	<u>12/31/17</u>
Cash and cash equivalents	\$4,652,630	\$3,479,150
Pledges receivable, net (Note 3)	3,881,109	3,684,459
Investments (Note 4)	0	5,497
Prepaid expenses and other receivable	112,123	123,897
Investments held for term endowment (Note 4 and 6)	377,027	437,846
Investments held for long-term endowment (Note 4 and 8)	12,433,227	13,327,915
Fixed assets (net of accumulated depreciation) (Note 5)	214,031	267,647
Security deposit	<u>82,245</u>	<u>82,211</u>
Total assets	<u><u>\$21,752,392</u></u>	<u><u>\$21,408,622</u></u>

**Liabilities and Net Assets**

Liabilities:		
Accounts payable and accrued expenses	\$564,797	\$436,689
Deferred rent	34,856	90,785
Conditional contribution (Note 6)	<u>400,000</u>	<u>400,000</u>
Total liabilities	<u>999,653</u>	<u>927,474</u>
Net assets:		
Without donor restrictions	<u>4,405,203</u>	<u>3,270,171</u>
With donor restrictions:		
Restricted for specific purpose and time (Note 7)	4,291,287	4,066,963
Donor restricted endowment (Notes 7 and 8)	<u>12,056,249</u>	<u>13,144,014</u>
Total net assets with donor restrictions	<u>16,347,536</u>	<u>17,210,977</u>
Total net assets	<u>20,752,739</u>	<u>20,481,148</u>
Total liabilities and net assets	<u><u>\$21,752,392</u></u>	<u><u>\$21,408,622</u></u>

*The attached notes and auditor's report are an integral part of these financial statements.*

**COMMITTEE TO PROTECT JOURNALISTS, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With comparative totals for the year ended December 31, 2017)

	With Donor Restrictions				Total 12/31/18	Total 12/31/17
	Without Donor Restrictions	Purpose and Time Restrictions (Note 7)	Donor Restricted Endowment (Note 7 and 8)	Total		
Public support and revenue:						
Contributions	\$4,813,818	\$2,755,000		\$2,755,000	\$7,568,818	\$6,006,468
Gala (net of expenses with a direct benefit to donor of \$395,445)	1,294,830			0	1,294,830	1,311,281
Net investment loss (Note 4)	(21,832)		(\$646,688)	(646,688)	(668,520)	1,822,384
Miscellaneous income	4,775			0	4,775	5,176
In-kind contributions (Note 11)	229,064			0	229,064	254,185
Net assets released from restriction	2,971,753	(2,530,676)	(441,077)	(2,971,753)	0	0
<b>Total public support and revenue</b>	<b>9,292,408</b>	<b>224,324</b>	<b>(1,087,765)</b>	<b>(863,441)</b>	<b>8,428,967</b>	<b>9,399,494</b>
Expenses:						
Program services	5,774,403			0	5,774,403	5,546,957
Management and general	1,195,693			0	1,195,693	751,141
Fundraising	1,187,280			0	1,187,280	1,239,508
<b>Total expenses</b>	<b>8,157,376</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>\$8,157,376</b>	<b>7,537,606</b>
Change in net assets	1,135,032	224,324	(1,087,765)	(863,441)	271,591	1,861,888
Net assets - beginning of year	3,270,171	4,066,963	13,144,014	17,210,977	20,481,148	18,619,260
Net assets - end of year	<b>\$4,405,203</b>	<b>\$4,291,287</b>	<b>\$12,056,249</b>	<b>\$16,347,536</b>	<b>\$20,752,739</b>	<b>\$20,481,148</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**COMMITTEE TO PROTECT JOURNALISTS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With comparative totals for the year ended December 31, 2017)

	Program Services			Total Program Services	Management and General	Fundraising	Cost of direct benefits to donors	Total Expenses 12/31/18	Total Expenses 12/31/17
	General Programs	Advocacy and Communications	Editorial						
Salaries	\$1,435,943	\$404,618	\$584,321	\$2,424,882	\$330,803	\$470,109		\$3,225,794	\$2,957,703
Payroll taxes and benefits	410,719	121,639	148,452	680,810	137,731	168,752		987,293	855,464
Professional fees (including in-kind) (Note 11)	770,045	305,970	318,510	1,394,525	358,132	190,551		1,943,208	1,688,762
Occupancy	181,451	61,951	73,521	316,923	136,049	59,918		512,890	454,591
Travel	276,263	112,402	13,987	402,652	59,645	91,673		553,970	470,458
Grants	310,130		2,000	312,130				312,130	203,763
Office supplies and maintenance	1,004	1,508	1,228	3,740	56,378	574		60,692	85,447
Telephone and internet	10,238	2,137		12,375	34,031	110		46,516	56,358
Publications, printing and postage (including in-kind) (Note 11)	1,840	3,593	2,093	7,526	4,040	64,770		76,336	126,218
Food, facility and entertainment							\$395,445	395,445	
Insurance	21,762	6,124	8,817	36,703	4,955	7,614		49,272	57,281
Fees	2,290	974	38	3,302	26,193	56,807		86,302	68,416
Depreciation	57,117	16,050	23,142	96,309	13,005	18,861		128,175	101,151
Bad debt expense					1,395			1,395	277,801
Other	25,397	45,582	11,547	82,526	33,336	57,541		173,403	134,193
<b>Total program and supporting services expenses</b>	<b>3,504,199</b>	<b>1,082,548</b>	<b>1,187,656</b>	<b>5,774,403</b>	<b>1,195,693</b>	<b>1,187,280</b>	<b>395,445</b>	<b>8,552,821</b>	<b>7,537,606</b>
Less: cost of direct benefits to donors							(395,445)	(395,445)	
<b>Total expenses</b>	<b>\$3,504,199</b>	<b>\$1,082,548</b>	<b>\$1,187,656</b>	<b>\$5,774,403</b>	<b>\$1,195,693</b>	<b>\$1,187,280</b>	<b>\$0</b>	<b>\$8,157,376</b>	<b>\$7,537,606</b>

*The attached notes and auditor's report are an integral part of these financial statements.*

**COMMITTEE TO PROTECT JOURNALISTS, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(With comparative totals for the year ended December 31, 2017)

	12/31/18	12/31/17
Cash flows from operating activities:		
Change in net assets	\$271,591	\$1,861,888
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	128,175	101,151
Realized gain on sale of investments	(6,253)	(2,070,926)
Unrealized loss on sale of investments	1,047,012	417,815
Changes in assets and liabilities:		
Pledges receivable	(196,650)	1,525,327
Prepaid expenses and other receivable	11,774	(69,403)
Security deposit	(34)	(40)
Accounts payable and accrued expenses	128,108	92,516
Deferred rent	(55,929)	(49,448)
Conditional contribution	0	100,000
Total adjustments	1,056,203	46,992
Net cash flows provided by operating activities	1,327,794	1,908,880
Cash flows from investing activities:		
Purchase of fixed assets	(74,559)	(68,721)
Investment income reinvested	(422,951)	(231,425)
Purchase of investments	(3,658,586)	(1,229,765)
Proceeds from sale of investments	4,001,782	1,435,479
Net cash flows used for investing activities	(154,314)	(94,432)
Net increase in cash and cash equivalents	1,173,480	1,814,448
Cash and cash equivalents - beginning of year	3,479,150	1,664,702
Cash and cash equivalents - end of year	\$4,652,630	\$3,479,150

No interest or income taxes were paid.

*The attached notes and auditor's report are an integral part of these financial statements.*

**COMMITTEE TO PROTECT JOURNALISTS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Note 1 - Nature of Entity**

The Committee to Protect Journalists, Inc. ("CPJ") is a not-for-profit corporation dedicated to supporting journalists and news organizations across the world who have been subjected to violation of their professional and human rights.

**Advocacy/Communications**

CPJ's Advocacy and Communications team works closely with the Program teams and the Editorial department to ensure that CPJ advocacy objectives are achieved. The team conducts campaigns, including calling for imprisoned journalists to be freed and for positive legal reform to be made, and engages with U.S., EU, and UN leaders, as well as those from other countries, to promote press freedom.

**Programs**

CPJ's regional programs cover Africa, North America, South and Central America, Asia, Europe and Central Asia, and the Middle East and North Africa, and are led by experts from all over the world who report daily on press freedom abuses. The programmatic teams speak Arabic, Bulgarian, Chinese, Czech, Farsi, French, German, Hindi, Japanese, Korean, Metta, Portuguese, Russian, Spanish, Thai, Turkish, Urdu, and Uzbek.

**Editorial**

CPJ's Editorial team helps the Program teams confront the increasing challenges to journalists worldwide. The editors work in staggered shifts each day and rotate weekend shifts in order to maximize coverage and produce fresh content. Much of CPJ's reporting which is published in statements, alerts, articles, letters, and reports is translated into six languages and posted on the website.

CPJ is a not-for-profit organization and has been notified by the Internal Revenue Service that they are exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code and has not been determined to be a private foundation as defined in Section 509(a).

**Note 2 - Summary of Significant Accounting Policies**

a. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting which is the process of recognizing revenue and expenses when earned or incurred rather than received or paid.

Effective January 1, 2018, the Organization adopted the requirements of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. A key change required by ASU 2016-14 is the net asset classes used in these financial statements. Amounts previously reported as unrestricted net assets are



now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets are now reported as net assets with donor restrictions. A footnote on liquidity has also been added (Note 7).

Implementation of ASU 2016-14 did not require any reclassification or restatement of any opening balances related to the periods presented.

b. Basis of Presentation

The Foundation reports information regarding their financial position and activities according to the following classes of net assets:

- *Net Assets Without Donor Restrictions* – represent those resources for which there are no restrictions by donors as to their use. They are reflected on the financial statement as without donor restrictions.
- *Net Assets with Donor Restrictions* – represent those resources, the uses of which have been restricted by donors to specific purposes or the passage of time and/or must remain intact, in perpetuity. The release from restrictions results from the satisfaction of the restricted purposes specified by the donor.

c. Cash and Cash Equivalents

All liquid investments that are not restricted or held by the investment custodian and have an initial maturity of three months or less are considered cash and cash equivalents.

d. Concentration of Credit Risk

Financial instruments which potentially subject CPJ to concentration of credit risk consist of cash, money market accounts and investment securities which have been placed with financial institutions that management deems to be creditworthy. The market value of investments is subject to fluctuation; however, management believes that the investment policy is prudent for the long-term welfare of CPJ. At year end and at certain times throughout the year, CPJ had uninsured balances; however, no losses have been suffered due to the failure of any of these institutions.

e. Pledges Receivable

Pledges expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using risk-adjusted present value techniques. Conditional promises to give are recognized when the conditions on which they depend are substantially met.

All outstanding balances at year end are reviewed for collectability through a review of specific accounts that factor in historical trends. Based on that analysis, a reserve for uncollectable pledges of approximately \$200,000 has been established.

f. Investments

Investments are recorded at fair value, which is defined as the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. Realized and unrealized gains and losses are included in income on the statement of activities. Investments have been displayed on the statement of financial position based on the purpose for which they are held. (See Note 4 for additional information.)

g. Fixed Assets

Fixed assets to which CPJ retains title and capital items purchased which benefit future periods are capitalized at cost, or if donated, at the estimated fair value at the time of donation.

Fixed assets are depreciated or amortized over their useful lives and lease terms using the straight-line method with a one-half year convention in the year placed in service.

h. Deferred Rent

Rent expense is recognized evenly over the life of the lease using the straight-line basis. Rent expense recognized in excess of cash payments, primarily due to free rent received at the beginning of the lease, is reflected as deferred rent. In future years, when payments exceed the amount of rent recognized as expense, the deferred rent will be reduced until it is zero at the end of the lease.

i. Contributions

Contributions are recognized at the earlier of when cash is received or at the time a pledge becomes unconditional in nature. Contributions are recorded in the net asset classes described earlier depending on the existence and/or nature of any donor restriction. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restriction. Restricted contributions that are satisfied in the same reporting period are classified as net assets without donor restriction.

j. Significant Concentrations

During 2016, CPJ received one large grant from an outside organization that totaled \$3,750,000, of which \$1,883,338 and \$2,810,619 was outstanding at December 31, 2018 and 2017, respectively. The receivable at year end represented 46% and 72% of pledges receivable for 2018 and 2017, respectively.

k. Management Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

l. Expense Allocation

The financial statements contain certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently and equitably applied. The following expenses were allocated based on time and effort:

- Salaries and benefits
- Occupancy
- Travel
- Office supplies and maintenance
- Telephone and internet
- Publications, printing and postage
- Insurance
- Fees
- Depreciation

m. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPJ's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

n. Accounting for Uncertainty of Income Taxes

CPJ does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2015 and later are subject to examination by applicable taxing authorities.

o. Subsequent Events

Management has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through May 22, 2019, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through our evaluation date that would require adjustment to or disclosure in the financial statements.

p. New Pronouncement

On June 21, 2018, FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The ASU which becomes effective for the December 31, 2019 year, provides guidance on whether a receipt from a third-party resource provider should be accounted for as a contribution (nonreciprocal transactions) within the scope of Topic 958, Not-for-Profit Entities, or as an exchange (reciprocal) transactions.

In addition, FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. The ASU, which becomes effective for the December 31, 2019 year, focuses on a principle-based model. It highlights the identification of performance obligations of the contract, determining the price and allocating that price to the performance obligation so that revenue is recognized as each performance obligation is satisfied.

Lastly, FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2020 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding “right to use asset” on the statement of financial position.

CPJ is evaluating the impact of these standards on future financial statements.

**Note 3 - Pledges Receivable**

Pledges receivable are due to be collected in the following years:

		<u>12/31/18</u>	<u>12/31/17</u>
Year ending:	December 31, 2018	\$0	\$1,931,232
	December 31, 2019	2,718,152	1,111,827
	December 31, 2020	1,146,511	896,511
	December 31, 2021	<u>250,000</u>	<u>0</u>
		4,114,663	3,939,570
Less: allowance for doubtful accounts		(203,374)	(206,876)
Less: adjustment to fair value, using a discount rate of 1.5 %		<u>(30,180)</u>	<u>(48,235)</u>
Total		<u>\$3,881,109</u>	<u>\$3,684,459</u>

**Note 4 - Investments**

Accounting standards establish a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that CPJ has the ability to access.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Investments consist of:

	<u>December 31, 2018</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$ 1,027,442	\$0	\$0	\$1,027,442
Equities - precious metals	699,111	0	0	699,111
Intermediate-term bond	2,431,910	0	0	2,431,910
World bond fund	548,188	0	0	548,188
Equity funds:				
Commodities broad basket	566,630	0	0	566,630
Exchange traded funds:				
Foreign large blend	2,125,304	0	0	2,125,304
Large blend	2,805,818	0	0	2,805,818
Real estate	557,187	0	0	557,187
Private equity	0	726,022	0	726,022
Hedge funds	<u>0</u>	<u>0</u>	<u>1,322,642</u>	<u>1,322,642</u>
	<u>\$10,761,590</u>	<u>\$726,022</u>	<u>\$1,322,642</u>	<u>\$12,810,254</u>

	<u>December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash	\$1,314,837	\$0	\$0	\$1,314,837
Equities:				
Consumer cyclical	2,879	0	0	2,879
Industrials	2,618	0	0	2,618
Precious metals	714,687	0	0	714,687
Bond funds:				
Intermediate-term bond	2,482,876	0	0	2,482,876
World bond	591,490	0	0	591,490
Equity funds:				
Commodities broad basket	752,295	0	0	752,295
Exchange traded funds:				
Foreign large blend	2,531,128	0	0	2,531,128
Large blend	3,192,572	0	0	3,192,572
Real estate	614,550	0	0	614,550
Hedge funds	<u>0</u>	<u>0</u>	<u>1,571,326</u>	<u>1,571,326</u>
	<u>\$12,199,932</u>	<u>\$0</u>	<u>\$1,571,326</u>	<u>\$13,771,258</u>

Level 1 securities are valued at the closing price reported on the active market that they are traded on. Level 3 securities are valued based on the asset value reported by investment custodian. These methods produce a fair value calculation that may not be indicative of net realizable value or reflective of future values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements.

Investments are designated as follows:

	<u>12/31/18</u>	<u>12/31/17</u>
Long-term endowment (Note 8)	\$12,433,227	\$13,327,915
Term endowment (Note 6)	377,027	437,846
Other	<u>0</u>	<u>5,497</u>
	<u>\$12,810,254</u>	<u>\$13,771,258</u>

Net investment income consists of:

	<u>12/31/18</u>	<u>12/31/17</u>
Interest and dividends	\$422,951	\$231,425
Unrealized loss	(1,047,012)	(417,815)
Realized gain on sale of investments	6,253	2,070,926
Less: investment fees	<u>(50,712)</u>	<u>(62,152)</u>
Net investment income	<u>(\$668,520)</u>	<u>\$1,822,384</u>

Changes in level 3 investments are as follows:

	<u>12/31/18</u>	<u>12/31/17</u>
Investments at fair value – beginning of year	\$1,571,326	\$1,466,564
Purchases	1,331,000	0
Sales	(1,571,326)	0
(Decrease)/increase in market value	<u>(8,358)</u>	<u>104,762</u>
Investments at fair value – end of year	<u>\$1,322,642</u>	<u>\$1,571,326</u>

#### **Note 5 - Fixed Assets**

Fixed assets consist of the following:

	<u>12/31/18</u>	<u>12/31/17</u>
Furniture	\$428,895	\$428,895
Office equipment	64,158	64,158
Websites	256,257	256,257
Leasehold improvements	164,751	151,223
Database	225,371	225,371
Other assets	<u>61,031</u>	<u>0</u>
	1,200,463	1,125,904
Less: accumulated depreciation	<u>(986,432)</u>	<u>(858,257)</u>
Total fixed assets - net	<u>\$214,031</u>	<u>\$267,647</u>

#### **Note 6 - Conditional Contribution**

CPJ received funds to invest as a term endowment. Investment earnings may be spent on a current basis to support CPJ's programs. As the donor has the unilateral right to reassign the full principal amount of \$400,000 to any other qualified charitable institution within a five-year term, which ends on March 26, 2019, this clause is deemed a condition that does not permit CPJ to recognize the contribution as income. A liability for the full principal exists at December 31, 2018 and will be recognized in 2019 as the condition was satisfied subsequent to year end.

**Note 7 - Net Assets With Donor Restrictions**

The following summarizes net assets released from restrictions:

	<u>12/31/18</u>	<u>12/31/17</u>
Restricted for specific purposes:		
Institutional strengthening	\$1,174,041	\$922,222
Impunity	0	66,667
Free the Press	0	66,667
Journalist Assistance	32,396	151,522
Press Freedom in Europe	21,163	230,500
Database Innovation	0	90,708
New Initiatives	0	5,645
Latin America Program	25,000	25,000
Emergencies Program	80,556	262,626
Birch Fellows	60,219	18,954
United States Program	<u>392,301</u>	<u>307,699</u>
Total restricted for specific purposes	1,785,676	2,148,210
Restricted for time	<u>745,000</u>	<u>685,000</u>
Total purpose and time restrictions	2,530,676	2,833,210
Endowment appropriations	<u>441,077</u>	<u>425,671</u>
Total net assets with donor restrictions	<u>\$2,971,753</u>	<u>\$3,258,881</u>

The following summarizes the nature of net assets with donor restrictions:

	<u>12/31/18</u>	<u>12/31/17</u>
Restricted for specific purposes:		
Institutional Strengthening	\$945,462	\$2,119,502
Journalist Assistance	0	32,396
Press Freedom in Europe	0	21,162
Latin America Program	25,000	0
Emergencies Program	0	25,556
Birch Fellows	420,825	481,046
United States Program	<u>250,000</u>	<u>42,301</u>
Total restricted for specific purposes	1,641,287	2,721,963
Restricted for time	<u>2,650,000</u>	<u>1,345,000</u>
Total purpose and time restrictions	<u>4,291,287</u>	<u>4,066,963</u>
Restricted for endowment		
Endowment funds – corpus (see Note 8)	9,500,000	9,500,000
Endowment funds – earnings (see Note 8)	<u>2,556,249</u>	<u>3,644,014</u>
Total restricted for endowments	<u>12,056,249</u>	<u>13,144,014</u>
Total net assets with donor restrictions	<u>\$16,347,536</u>	<u>\$17,210,977</u>

## Note 8 - Investments Held for Endowments

CPJ's endowment consists of four permanently restricted individual funds that are required to be held indefinitely. The income from these investments can be used to support general activities.

At December 31, 2018, the corpus of these endowments consists of the following:

Knight Endowment	\$5,000,000
Ford Foundation Endowment	1,500,000
Bloomberg Endowment	2,000,000
Annenberg Endowment	<u>1,000,000</u>
Total	<u>\$9,500,000</u>

### *Interpretation of Relevant Law*

CPJ follows the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Board of Directors of CPJ has interpreted NYPMIFA as requiring certain amounts to be retained permanently. Absent explicit donor stipulations to the contrary, the fair value of the original gift as of the gift date for all donor-restricted endowment funds will be preserved. However, under certain circumstances, CPJ has the right to appropriate for expenditure the fair value of the original gift in a manner consistent with the standard of prudence specifically prescribed by NYPMIFA.

As a result of this interpretation, CPJ classifies as endowment corpus (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for expenditures, therefore, they have been classified in the class of net assets with donor restrictions.

### *Spending Policies*

In accordance with NYPMIFA, the following factors are considered in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund;
- (2) The purposes of CPJ's mission and the donor-restricted endowment fund;
- (3) General economic conditions;
- (4) The possible effect of inflation and deflation;
- (5) The expected total return from income and the appreciation of investments;
- (6) Other resources available;
- (7) The investment policies;
- (8) Where appropriate and circumstances would otherwise warrant alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have.



Changes in investments broken down by net asset class was as follows:

	December 31, 2018				
	Without Donor Restrictions	With Donor Restrictions			Total
		Endowment Earnings	Endowment Corpus	Total With Donor Restriction	
Endowment net assets, beginning of year	\$183,901	\$3,644,014	\$9,500,000	13,144,014	\$13,327,915
Net loss on investments	0	(1,007,417)	0	(1,007,417)	(1,007,417)
Interest and dividends, net of fees	0	360,729	0	360,729	360,729
Appropriations for expenditure	<u>193,077</u>	<u>(441,077)</u>	<u>0</u>	<u>(441,077)</u>	<u>(248,000)</u>
Endowment net assets, end of year	<u>\$376,978</u>	<u>\$2,556,249</u>	<u>\$9,500,000</u>	<u>\$12,056,249</u>	<u>\$12,433,227</u>

	December 31, 2017				
	Without Donor Restrictions	With Donor Restrictions			Total
		Endowment Earnings	Endowment Corpus	Total With Donor Restriction	
Endowment net assets, beginning of year	\$0	\$2,288,278	\$9,500,000	\$11,788,278	\$11,788,278
Net gain on investments	0	1,606,536	0	1,606,536	1,606,536
Interest and dividends	0	174,871	0	174,871	174,871
Appropriations for expenditure	<u>183,901</u>	<u>(425,671)</u>	<u>0</u>	<u>(425,671)</u>	<u>(241,770)</u>
Endowment net assets, end of year	<u>\$183,901</u>	<u>\$3,644,014</u>	<u>\$9,500,000</u>	<u>\$13,144,014</u>	<u>\$13,327,915</u>

The board appropriated \$441,077 and \$425,671 from the endowment during 2018 and 2017, respectively.

#### *Endowment Investment Policies*

CPJ has adopted an investment policy for endowment assets that relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). A diversified asset allocation is targeted that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### *Funds with Deficiencies*

From time-to-time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2018 and 2017.

**Note 9 - Commitments and Contingencies**

CPJ has a non-cancelable lease agreement for office space which expires in 2019. Future minimum payments, excluding utilities and other escalations, under the lease are as follows:

Year ending:	December 31, 2019	<u>\$195,009</u>
Total		<u>\$195,009</u>

**Note 10 - Employee Benefits**

CPJ sponsors a defined contribution pension plan. All full-time employees with one month of service are eligible to participate. Contributions of 3% are made annually. Employer contributions totaled \$198,976 and \$183,028 for the years ended 2018 and 2017, respectively.

**Note 11 - In-Kind Contributions**

Donated services are recorded if they create or enhance non-financial assets or if the service requires specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by contributions.

In-kind contributions were \$229,064 and \$254,185 in 2018 and 2017, respectively.

The contributions were charged to the following program and service functions:

	<u>December 31, 2018</u>		
		Management and General	Total
	<u>Programs</u>	<u>General</u>	<u>Total</u>
Professional fees - legal	<u>\$0</u>	<u>\$229,064</u>	<u>\$229,064</u>
Total in-kind services	<u>\$0</u>	<u>\$229,064</u>	<u>\$229,064</u>

	<u>December 31, 2017</u>		
		Management and General	Total
	<u>Programs</u>	<u>General</u>	<u>Total</u>
Professional fees - legal	\$0	\$200,000	\$200,000
Professional fees - publishing	<u>54,185</u>	<u>0</u>	<u>54,185</u>
Total in-kind services	<u>\$54,185</u>	<u>\$200,000</u>	<u>\$254,185</u>

## Note 12 - Availability and Liquidity

Financial assets at year-end:

Cash and cash equivalents	\$4,652,630	
Pledges receivable	3,881,109	
Investments held of term endowment	377,027	
Investments held for long term endowment	<u>12,433,227</u>	
Total financial assets		21,343,993

Less amounts not available for general expenditures:

Donor restricted endowment	(12,056,249)	
Restricted for specific purposes (excluding Institutional Strengthening)	(695,825)	
Time restricted net assets for 2020 and 2021	<u>(1,396,511)</u>	
Total purpose and time restrictions		(14,148,585)
Add back board approved appropriations for expenditures		<u>690,000</u>
Financial assets available to meet cash needs for general expenditures within one year		<u>\$7,885,408</u>

CPJ receives significant contributions and promises to give with and without donor restrictions. It considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the organization considers all expenditures related to its ongoing activities, related to institutional strengthening to be general expenditures.

CPJ manages its liquidity and reserves by following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and building a reserve over the next few years to provide reasonable assurance that long-term obligations will be discharged. CPJ forecasts its future cash flows and monitors its liquidity on a quarterly basis.