

STUDENT PRESS LAW CENTER, INC.

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

DECEMBER 31, 2018 AND 2017

TABLE OF CONTENTS

	<u>Page No.</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statement of Activities - Year Ended December 31, 2018	4
Statement of Activities - Year Ended December 31, 2017	5
Statement of Functional Expenses - Year Ended December 31, 2018	6
Statement of Functional Expenses - Year Ended December 31, 2017	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 19



Independent Auditor's Report

To the Board of Directors of
Student Press Law Center, Inc.
Washington, DC

We have audited the accompanying financial statements of Student Press Law Center, Inc. a nonprofit organization, which comprise the statements of financial position as of December 31, 2018 and 2017, 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 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 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 Student Press Law Center, Inc. as of December 31, 2018 and 2017, 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.

James Marston & McQuade PA

Washington, DC
June 24, 2019

STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 391,956	\$ 188,367
Accounts receivable	3,103	3,103
Grants and contributions receivable, current portion	180,192	256,001
Prepaid expenses	9,032	6,383
Inventory	2,027	2,232
Total Current Assets	586,310	456,086
OTHER ASSETS		
Grants receivable-long term, net of discount (Note H)	153,200	-
Property and equipment, net	3,671	5,292
Investments	3,036,763	3,464,992
Total Other Assets	3,193,634	3,470,284
TOTAL ASSETS	\$ 3,779,944	\$ 3,926,370
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 10,884	\$ 13,713
Accrued expenses	13,022	12,021
Total Liabilities	23,906	25,734
NET ASSETS		
Without donor restrictions	239,275	185,644
With donor restrictions	3,516,763	3,714,992
Total Net Assets	3,756,038	3,900,636
TOTAL LIABILITIES AND NET ASSETS	\$ 3,779,944	\$ 3,926,370

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 302,837	\$ 480,000	\$ 782,837
Publications	12,569	-	12,569
Membership revenue	3,435	-	3,435
Interest and dividends	-	96,934	96,934
In-kind services	6,292	-	6,292
Other income	684	-	684
Net assets released from restrictions	467,000	(467,000)	-
Total Revenue and Support	<u>792,817</u>	<u>109,934</u>	<u>902,751</u>
EXPENSES			
Program Services:			
Education and advocacy	394,566	-	394,566
Support Services:			
General and administrative	212,019	-	212,019
Fundraising	132,601	-	132,601
Total Support Services	<u>344,620</u>	<u>-</u>	<u>344,620</u>
Total Expenses	<u>739,186</u>	<u>-</u>	<u>739,186</u>
CHANGE IN NET ASSETS FROM OPERATIONS	53,631	109,934	163,565
OTHER CHANGES			
Net depreciation in fair value of investments	-	(308,163)	(308,163)
CHANGE IN NET ASSETS	53,631	(198,229)	(144,598)
NET ASSETS, beginning of year	<u>185,644</u>	<u>3,714,992</u>	<u>3,900,636</u>
NET ASSETS, end of year	<u>\$ 239,275</u>	<u>\$ 3,516,763</u>	<u>\$ 3,756,038</u>

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 233,268	\$ 366,672	\$ 599,940
Publications	33,001	-	33,001
Membership revenue	3,800	-	3,800
Interest and dividends	-	98,366	98,366
In-kind services	7,500	-	7,500
Other income	316	-	316
Net assets released from restrictions	327,634	(327,634)	-
Total Revenue and Support	<u>605,519</u>	<u>137,404</u>	<u>742,923</u>
EXPENSES			
Program Services:			
Education and advocacy	522,943	-	522,943
Support Services:			
General and administrative	109,465	-	109,465
Fundraising	55,998	-	55,998
Total Support Services	<u>165,463</u>	<u>-</u>	<u>165,463</u>
Total Expenses	<u>688,406</u>	<u>-</u>	<u>688,406</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(82,887)	137,404	54,517
OTHER CHANGES			
Net appreciation in fair value of investments	-	356,738	356,738
CHANGE IN NET ASSETS	(82,887)	494,142	411,255
NET ASSETS, beginning of year	<u>268,531</u>	<u>3,220,850</u>	<u>3,489,381</u>
NET ASSETS, end of year	<u>\$ 185,644</u>	<u>\$ 3,714,992</u>	<u>\$ 3,900,636</u>

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018

	<u>Program Services</u>		<u>Support Services</u>		
	Education and Advocacy	General and Administrative	Fundraising	Total Support Services	Total
Salaries	\$ 209,551	\$ 114,333	\$ 92,083	\$ 206,416	\$ 415,967
Payroll taxes	16,175	8,159	6,572	14,731	30,906
Employee benefits	11,652	5,876	4,734	10,610	22,262
Subtotal Personnel Costs	<u>237,378</u>	<u>128,368</u>	<u>103,389</u>	<u>231,757</u>	<u>469,135</u>
Accounting and audit	-	41,219	-	41,219	41,219
Awards	3,000	-	-	-	3,000
Bank fees	699	353	284	637	1,336
Depreciation	848	428	345	773	1,621
Dues and subscriptions	505	255	205	460	965
Educational materials	25,676	-	-	-	25,676
Equipment and computer	2,885	1,457	1,172	2,629	5,514
Insurance	2,344	1,182	952	2,134	4,478
Publication	107	54	44	98	205
Postage	1,945	225	181	406	2,351
Printing	4,085	2,062	7,232	9,294	13,379
Professional fees	68,590	14,236	934	15,170	83,760
Rent and occupancy	24,675	12,448	10,025	22,473	47,148
Supplies and office expense	1,452	732	590	1,322	2,774
Travel and events	18,080	7,842	6,315	14,157	32,237
Website and information technology	2,297	1,158	933	2,091	4,388
Total Expenses	<u>\$ 394,566</u>	<u>\$ 212,019</u>	<u>\$ 132,601</u>	<u>\$ 344,620</u>	<u>\$ 739,186</u>

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2017

	Program Services	Support Services			Total
	Education and Advocacy	General and Administrative	Fundraising	Total Support Services	
Salaries	\$ 230,756	\$ 41,252	\$ 26,085	\$ 67,337	\$ 298,093
Payroll taxes	16,666	4,166	2,060	6,226	22,892
Employee benefits	14,206	3,551	1,756	5,307	19,513
Subtotal Personnel Costs	261,628	48,969	29,901	78,870	340,498
Accounting and audit	-	17,408	-	17,408	17,408
Awards	3,000	-	-	-	3,000
Bank fees	669	168	866	1,034	1,703
Depreciation	1,180	295	146	441	1,621
Dues and subscriptions	1,365	341	169	510	1,875
Educational materials	71,789	273	135	408	72,197
Equipment and computer	4,191	940	2,796	3,736	7,927
Insurance	3,339	834	413	1,247	4,586
Publication	454	114	56	170	624
Postage	6,092	498	295	793	6,885
Printing	7,030	154	6,803	6,957	13,987
Professional development	515	128	64	192	707
Professional fees	106,770	26,825	6,012	32,837	139,607
Rent and occupancy	35,088	8,772	4,338	13,110	48,198
Supplies and office expense	8,271	1,934	1,008	2,942	11,213
Travel and events	8,773	1,277	2,732	4,009	12,782
Website and information technology	2,789	535	264	799	3,588
Total Expenses	\$ 522,943	\$ 109,465	\$ 55,998	\$ 165,463	\$ 688,406

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

STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (144,598)	\$ 411,255
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,621	1,621
Net depreciation (appreciation) in fair value of investments	308,163	(356,738)
Decrease (increase) in assets:		
Accounts receivable	-	1,417
Grants and contributions receivable	(77,391)	(181,001)
Prepaid expenses	(2,649)	1,863
Inventory	205	624
Increase (decrease) in liabilities:		
Accounts payable	(2,829)	6,799
Accrued expenses	1,001	10,481
Net Cash Provided by (Used for) Operating Activities	83,523	(103,679)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	217,000	69,192
Purchases of investments	(96,934)	(34,596)
Net Cash Provided by Investing Activities	120,066	34,596
NET CHANGE IN CASH AND CASH EQUIVALENTS	203,589	(69,083)
CASH AND CASH EQUIVALENTS, beginning of year	188,367	257,450
CASH AND CASH EQUIVALENTS, end of year	\$ 391,956	\$ 188,367

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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM DESCRIPTION

Since 1974, the Student Press Law Center (“SPLC”) has been supporting, promoting and defending the First Amendment and free expression rights of student journalists in the United States.

Operating at the intersection of law, journalism and education, SPLC fields inquiries from more than 2000 students and advisers each year on its legal hotline. SPLC provides more than 60 training workshops annually, hosts monthly webinars and podcasts, and provides a wide variety of online resources to student journalists and advisers. SPLC also engages in programmatic initiatives to address gender and censorship, to support New Voices student press protections, and to amplify the destructive effects of censorship on student journalists. Based in Washington, DC, SPLC is an independent, non-partisan 501c(3).

Student journalists, both at the high school and the college level, are increasingly important actors in the news media ecosystem. A 2014 Pew research study showed that 14% of reporters covering statehouses in the U.S. are students. Student journalists have increasingly filled the gaps, reporting on accountability for local community issues, covering events at their schools, and even filling in to cover statehouses and school board meetings.

Assistance from SPLC enables accountability journalism, led by brave student journalists, to flourish at the local and state level, with student journalists exposing fraud, corruption, mismanagement and dangers in their own communities. These include stories which have led to the resignation of key administrators due to student journalists exposing false credentials, uncovering of sexual abuse or harassment complaints against faculty members.

SPLC seeks to influence a variety of systems which are all framed by the First Amendment and national, state and local law and policy. SPLC’s efforts to promote independent journalism and civic engagement is evident in its core projects: the legal hotline, which provides free legal assistance to thousands of students journalists across the United States; the New Voices movement, which seeks to support nonpartisan, grassroots, student-driven groups that work to protect students from censorship and promote student press freedom; and the training, resources and outreach that SPLC conducts to proactively educate constituents and allies in the law and ethics of student media.

Often called “the Press Freedom Fire Department,” SPLC is the first line of response for students and advisers when difficult issues arise. As SPLC staffs and monitors the legal hotline, dealing with inquiries from thousands of students and advisers each year, SPLC has its finger on the pulse in a way that others do not. SPLC does not charge for its services, and where other organizations may select high profile cases that have particular appeal, SPLC answers every call, providing direct assistance to every inquiry. When cases become particularly complicated or contentious, SPLC turns to an on-call network of over 200 top media lawyers standing by to take on cases pro bono through its Attorney Referral Network. Collaborations with other groups (such as JEA, CMA, SPJ, NSPA and others) uniquely enable SPLC to represent issues impacting student journalists in broader discussions of press freedoms.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM DESCRIPTION -
continued

Student Press Law Center is at a transformative moment. With a new leadership team in place since late 2017, SPLC is on a growth trajectory, constantly assessing impact and outreach and building a more proactive posture. By developing multi-year, integrated and intersectional strategies, which shine a light upon egregious stories of censorship, explore the self-censorship of student journalists, protect advisers-at-risk, and document the important role student journalists play, SPLC plays a unique role in protecting and promoting the future of good journalism.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

SPLC prepares its financial statements on the accrual basis of accounting. Therefore, revenue and related assets are recognized when earned and expenses and related liabilities are recognized as the obligations are incurred.

Adoption of New Accounting Pronouncement

For the year ended December 31, 2018, SPLC adopted the Financial Accounting Standards Board's Accounting Standards Update (ASU) No. 2016-14 – *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net assets classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return between not-for-profit entities. The changes required by the update have been applied retrospectively to all periods presented. A key change required by ASU 2016-14 is the change to the net assets classes used in these financial statements. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions and amounts previously reported as temporarily restricted net assets and permanently restricted net assets, if applicable, are now reported as net assets with donor restrictions.

Basis of Presentation

Financial statement presentation follows Financial Standards Accounting Board ("FASB") Accounting Standards Codification ("ASC") Topic *Not-for-Profit-Entities*. In accordance with the topic, SPLC is required to report information regarding its financial position and activities according to two classes of net assets. Accordingly, the net assets of SPLC and changes therein, are classified and reported as follows:

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

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

Cash and Cash Equivalents

SPLC considers demand deposits, money market funds and investments purchased with an original maturity of three months or less to be cash and cash equivalents except those included as part of an investment portfolio. Cash and cash equivalents in non-interest bearing accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, the accounts may exceed this limit; however, SPLC believes it is not exposed to any significant credit risk on cash or cash equivalents.

Accounts, Grants and Contributions Receivable

Accounts, grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information and existing economic conditions. Accounts deemed uncollectible are charged off based on specific circumstances of the parties involved. Management believes all receivables are fully collectible and no provision for allowance for doubtful accounts is deemed necessary.

Inventory

Inventory consists of books and educational materials and is stated at the lower of cost or market value. Inventory is valued based on the first-in, first-out method.

Property and Equipment

Property and equipment are recorded at cost. Major additions, replacements, and betterments with costs of at least \$1,000 and lives greater than one year are capitalized, while repairs and maintenance are expensed. Depreciation expense for property and equipment is provided on a straight-line basis over the estimated useful lives of the assets, which ranges from three to seven years.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Interest is recorded when earned. Dividends are recognized at the ex-dividend date. Net appreciation or depreciation in fair value of investments includes gains and losses on investments bought and sold as well as held during the year. Donated investments are recorded at fair value on the date of donation.

Revenue Recognition

Grants and contributions, including unconditional promises to give, are recognized as revenue in the period in which the promise is received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Grants and contributions received with donor restrictions are recorded as revenue with donor restrictions based on the donor's intent. When a time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Membership revenue is recognized when received, and publication revenue is recognized when the books or journals are sold.

In-kind Services

In-kind services are recorded at fair value of the services or items received. SPLC recognizes in-kind services that create or enhance non-financial assets, or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. SPLC received in-kind services for its annual conference totaling \$6,292 and \$7,500 for the years ended December 31, 2018 and 2017, respectively.

Methods Used for Allocation of Expenses from Management and General Activities

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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

Reclassifications

For comparative purposes, certain amounts for the year ended December 31, 2017, have been reclassified to conform to the current year presentation. The reclassification had no effect on the previously reported net assets or change in net assets.

NOTE C – INCOME TAXES

SPLC is a 501(c)(3) entity exempt from federal income tax under Section 501(a) of the Internal Revenue Code. SPLC is, however, subject to tax on business income unrelated to its exempt purpose.

SPLC 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 or that would have an effect on its tax-exempt status. There are no unrecognized tax benefits or liabilities that need to be recorded.

SPLC'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. SPLC's information returns for the years ended 2015 through 2017, are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

SPLC regularly monitors liquidity required to meet its operating needs and other commitments, while also striving to maximize the investment of its available funds. Timing of revenue receipts also ensures the availability of necessary operational funds. Sources of liquidity available to SPLC include financial assets consisting of cash and cash equivalents, accounts receivable, grants and pledges receivable and its investment portfolio. In addition, SPLC anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over 12-month period.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

In determining the adequacy of liquidity sources to cover general operating expenditures over a 12-month period, SPLC considers all expenditures related to its programs, general and administrative, and fundraising activities, to be general operating expenditures.

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

Cash and cash equivalents	\$	391,956
Accounts receivable		3,103
Grants and pledges receivable		333,392
Investments		3,036,763
Total Financial Assets		3,765,214
Less: cash, encumbered by donor restrictions		(3,516,763)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	\$	248,451

NOTE E – 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 measurement) 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 SPLC 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 SPLC has the ability to access.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE E – FAIR VALUE MEASUREMENTS – continued

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.

Mutual funds and exchange traded funds are valued at the observable closing price reported in the active market in which the individual securities are traded. The fair value of money market funds are valued by carrying amount, which approximates fair value.

The following table presents SPLC’s fair value hierarchy for investments measured at fair value on a recurring basis as of December 31, 2018 and 2017:

	Assets at Fair Value as of December 31, 2018			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 22,019	\$ -	\$ -	\$ 22,019
Mutual Funds:				
Fixed income	1,008,534	-	-	1,008,534
Equity	1,916,315	-	-	1,916,315
Exchange traded funds	89,895	-	-	89,895
Total Investments	\$ 3,036,763	\$ -	\$ -	\$ 3,036,763

	Assets at Fair Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 88	\$ -	\$ -	\$ 88
Mutual Funds:				
Fixed income	1,004,953	-	-	1,004,953
Equity	2,109,666	-	-	2,109,666
Exchange traded funds	350,285	-	-	350,285
Total Investments	\$ 3,464,992	\$ -	\$ -	\$ 3,464,992

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2018 and 2017:

	2018	2017
Furniture and equipment	\$ 4,515	\$ 4,515
Computer equipment	4,875	4,875
	9,390	9,390
Less: accumulated depreciation	(5,719)	(4,098)
Property and Equipment, Net	\$ 3,671	\$ 5,292

For the years ended December 31, 2018 and 2017, Depreciation expense totaled \$1,621 and \$1,621, respectively.

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS

Endowment

Effective January 23, 2008, the District of Columbia enacted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”), the provisions of which apply to endowment funds existing on or established after that date. SPLC 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, SPLC classified the original value of the gifts donated to be held in perpetuity as net assets with donor restrictions. The portion of the endowment fund that is not to be held in perpetuity is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by SPLC in a manner consistent with the standard of prudence prescribed by UPMIFA. SPLC has adopted, and the Board of Directors has approved, the Statement of Investment Policies for each endowment fund. These policies have identified an appropriate risk posture for the funds, stated expectations and objectives for the fund, provided asset allocation guidelines, and established criteria to monitor and evaluate the performance results of the fund’s managers.

In accordance with UPMIFA, SPLC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (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 of SPLC, and (7) SPLC’s investment policies. All of the investment earnings related to the endowment fund are available to support SPLC’s operations. It is the policy of SPLC to spend no more than five percent of the year-end endowment balance to support business operations in the following year. The amount utilized is approved by the Board of Directors during the budgeting process.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS - continued

Endowment (continued)

The fair value of the assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA require SPLC to retain as a fund of perpetual duration. As of December 31, 2018 and 2017, there were no deficiencies in the endowment funds.

SPLC's endowment net assets consisted of the following as of December 31, 2018:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 2,745,588	\$ 2,745,588
Portion subject to appropriation for expenditures	-	291,175	291,175
Balance at December 31, 2018	<u>\$ -</u>	<u>\$ 3,036,763</u>	<u>\$ 3,036,763</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Balance as of December 31, 2017	\$ -	\$ 3,464,992	\$ 3,464,992
Interest and dividends	-	96,934	96,934
Net depreciation in fair value	-	(308,163)	(308,163)
Appropriation of endowment assets for expenditure	-	(217,000)	(217,000)
Balance as of December 31, 2018	<u>\$ -</u>	<u>\$ 3,036,763</u>	<u>\$ 3,036,763</u>

SPLC's endowment net assets consisted of the following as of December 31, 2017:

	<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	\$ -	\$ 2,745,588	\$ 2,745,588
Portion subject to appropriation for expenditures	-	719,404	719,404
Balance at December 31, 2017	<u>\$ -</u>	<u>\$ 3,464,992</u>	<u>\$ 3,464,992</u>

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS - continued

Endowment (continued)

Changes in the endowment net assets for the year ended December 31, 2017 were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Balance as of December 31, 2016	\$ -	\$ 3,142,850	\$ 3,142,850
Interest and dividends	-	98,366	98,366
Net appreciation in fair value	-	356,738	356,738
Appropriation of endowment assets for expenditure	-	(132,962)	(132,962)
Balance as of December 31, 2017	<u>\$ -</u>	<u>\$ 3,464,992</u>	<u>\$ 3,464,992</u>

Other Net Assets With Donor Restrictions

Net assets with donor restriction consisted of the following as of December 31:

	<u>2018</u>	<u>2017</u>
Education and advocacy	<u>\$ 480,000</u>	<u>\$ 250,000</u>

NOTE H – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

Amount due in one year or less	\$ 180,192
Amount due between one year and five years	160,000
	<u>340,192</u>
Less discount, at 4.25%	(6,800)
Total grants receivable, net of discount	<u>\$ 333,392</u>

NOTE I – OPERATING LEASE

Effective January 1, 2015, SPLC entered into a lease agreement with the Regents of the University of California. The annual rent is \$47,148 and the lease expires on December 31, 2019. Rent expense for the years ended December 31, 2018 and 2017, totaled \$47,148 and \$47,148, respectively. The future minimum payments of the operating lease under the lease agreement for the year ending December 31, 2019, totaled \$47,148.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017
(continued)

NOTE J – RETIREMENT PLAN

SPLC established a qualified 403(b) retirement plan covering eligible employees. Employer matching contributions are based on the amount of the employee elective deferral contributions. SPLC's contributions for the years ended December 31, 2018 and 2017, totaled \$0 and \$800, respectively.

NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, SPLC has evaluated events and transactions for potential recognition or disclosure through June 24, 2019, the date the financial statements were available to be issued. There were no additional events or transactions discovered during the evaluation that require additional recognition or disclosure.