

**STUDENT PRESS LAW CENTER, INC.**

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

**DECEMBER 31, 2022 AND 2021**

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### Independent Auditor's Report

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

#### **Opinion**

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, 2022 and 2021, 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 Student Press Law Center, Inc. as of December 31, 2022 and 2021, 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 Student Press Law Center, Inc. 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 Student Press Law Center, Inc.'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 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 Student Press Law Center, Inc.'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 Student Press Law Center, Inc.'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.

Independent Auditor's Report  
Student Press Law Center, Inc.  
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**Emphasis of Matter**

As discussed in Note B to the financial statements, during the year ended December 31, 2022, Student Press Law Center, Inc. adopted new accounting guidance, Accounting Standards Update (“ASU”) 2016-02, *Leases*, as amended. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink, appearing to read "J. M. F. M." or a similar variation.

Washington, DC  
June 22, 2023

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b><u>ASSETS</u></b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 424,621	\$ 623,985
Grants and contributions receivable, current portion	200,000	200,128
Prepaid expenses	8,671	8,577
Inventory	1,709	1,819
Total Current Assets	<u>635,001</u>	<u>834,509</u>
<b>OTHER ASSETS</b>		
Grants receivable, net of current portion and discount	-	198,000
Property and equipment, net	2,568	2,803
Investments - endowment funds	<u>3,254,079</u>	<u>4,062,993</u>
Total Other Assets	<u>3,256,647</u>	<u>4,263,796</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,891,648</u></u>	<u><u>\$ 5,098,305</u></u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 19,481	\$ 25,410
Accrued expenses	<u>39,721</u>	<u>29,658</u>
Total Liabilities	<u>59,202</u>	<u>55,068</u>
<b>NET ASSETS</b>		
Without donor restrictions	303,367	305,244
With donor restrictions	<u>3,529,079</u>	<u>4,737,993</u>
Total Net Assets	<u><u>3,832,446</u></u>	<u><u>5,043,237</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 3,891,648</u></u>	<u><u>\$ 5,098,305</u></u>

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

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2022**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 309,391	\$ 150,000	\$ 459,391
Membership revenue	1,300	-	1,300
Publications	378	-	378
Other income	34	-	34
Interest and dividends	-	99,806	99,806
Net assets released from restrictions	<u>800,000</u>	<u>(800,000)</u>	<u>-</u>
Total Revenue and Support	1,111,103	(550,194)	560,909
<b>EXPENSES</b>			
Program Services:			
Education and advocacy	681,290	-	681,290
Support Services:			
General and administrative	281,945	-	281,945
Fundraising	<u>149,745</u>	<u>-</u>	<u>149,745</u>
Total Support Services	<u>431,690</u>	<u>-</u>	<u>431,690</u>
Total Expenses	<u>1,112,980</u>	<u>-</u>	<u>1,112,980</u>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	(1,877)	(550,194)	(552,071)
<b>OTHER CHANGES</b>			
Net depreciation in fair value of investments	<u>-</u>	<u>(658,720)</u>	<u>(658,720)</u>
<b>CHANGE IN NET ASSETS</b>	(1,877)	(1,208,914)	(1,210,791)
<b>NET ASSETS, beginning of year</b>	<u>305,244</u>	<u>4,737,993</u>	<u>5,043,237</u>
<b>NET ASSETS, end of year</b>	<u>\$ 303,367</u>	<u>\$ 3,529,079</u>	<u>\$ 3,832,446</u>

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

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUE AND SUPPORT</b>			
Grants and contributions	\$ 393,226	\$ 750,000	\$ 1,143,226
Forgiveness of PPP loan	127,938	-	127,938
Membership revenue	3,850	-	3,850
Publications	168	-	168
Other income	2,681	-	2,681
Interest and dividends	-	94,202	94,202
Net assets released from restrictions	<u>325,000</u>	<u>(325,000)</u>	<u>-</u>
<b>Total Revenue and Support</b>	<b>852,863</b>	<b>519,202</b>	<b>1,372,065</b>
<b>EXPENSES</b>			
Program Services:			
Education and advocacy	569,051	-	569,051
Support Services:			
General and administrative	209,914	-	209,914
Fundraising	193,497	-	193,497
<b>Total Support Services</b>	<b>403,411</b>	<b>-</b>	<b>403,411</b>
<b>Total Expenses</b>	<b>972,462</b>	<b>-</b>	<b>972,462</b>
<b>CHANGE IN NET ASSETS FROM OPERATIONS</b>	<b>(119,599)</b>	<b>519,202</b>	<b>399,603</b>
<b>OTHER CHANGES</b>			
Net appreciation in fair value of investments	-	456,117	456,117
<b>CHANGE IN NET ASSETS</b>	<b>(119,599)</b>	<b>975,319</b>	<b>855,720</b>
<b>NET ASSETS, beginning of year</b>	<b>424,843</b>	<b>3,762,674</b>	<b>4,187,517</b>
<b>NET ASSETS, end of year</b>	<b>\$ 305,244</b>	<b>\$ 4,737,993</b>	<b>\$ 5,043,237</b>

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

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2022**

	Program Services		Support Services			Total
	Education and Advocacy		General and Administrative		Total Support Services	
<b>Personnel Costs:</b>						
Salaries	\$ 436,345		\$ 143,275	\$ 70,964	\$ 214,239	\$ 650,584
Payroll taxes	33,372		10,959	5,427	16,386	49,758
Employee benefits	<u>59,807</u>		<u>19,638</u>	<u>9,727</u>	<u>29,365</u>	<u>89,172</u>
Subtotal Personnel Costs	529,524		173,872	86,118	259,990	789,514
Accounting and audit	-		46,875	-	46,875	46,875
Awards	2,012		661	327	988	3,000
Bank fees	-		1,742	-	1,742	1,742
Depreciation	1,234		405	201	606	1,840
Dues and subscriptions	1,935		514	6,359	6,873	8,808
Equipment and computer	9,592		853	12,431	13,284	22,876
Insurance	6,806		2,235	1,107	3,342	10,148
Publication	74		24	12	36	110
Postage	510		66	249	315	825
Printing	3,734		-	1,843	1,843	5,577
Professional development	848		264	131	395	1,243
Professional fees	62,398		36,007	31,839	67,846	130,244
Rent and occupancy	32,395		10,637	5,268	15,905	48,300
Supplies and office expense	1,522		497	247	744	2,266
Travel	27,116		6,771	3,354	10,125	37,241
Website and information technology	<u>1,590</u>		<u>522</u>	<u>259</u>	<u>781</u>	<u>2,371</u>
<b>Total Expenses</b>	<b><u>\$ 681,290</u></b>		<b><u>\$ 281,945</u></b>	<b><u>\$ 149,745</u></b>	<b><u>\$ 431,690</u></b>	<b><u>\$ 1,112,980</u></b>

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

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED DECEMBER 31, 2021**

	Program Services		Support Services			
	Education and Advocacy		General and Administrative		Total Support Services	
			Fundraising			
<b>Personnel Costs:</b>						
Salaries	\$ 344,049		\$ 107,905	\$ 113,957	\$ 221,862	\$ 565,911
Payroll taxes	31,661		8,217	8,678	16,895	48,556
Employee benefits	<u>45,134</u>		<u>11,034</u>	<u>11,652</u>	<u>22,686</u>	<u>67,820</u>
Subtotal Personnel Costs	420,844		127,156	134,287	261,443	682,287
Accounting and audit	-		44,944	-	44,944	44,944
Bank fees	-		1,817	-	1,817	1,817
Depreciation	1,574		494	521	1,015	2,589
Dues and subscriptions	7,126		199	210	409	7,535
Equipment and computer	3,982		662	3,666	4,328	8,310
Grants	20		-	-	-	20
Insurance	4,632		1,454	1,534	2,988	7,620
Publication	30		9	10	19	49
Postage	633		83	87	170	803
Professional development	1,150		129	136	265	1,415
Professional fees	89,353		20,904	40,305	61,209	150,562
Rent and occupancy	29,364		9,210	9,726	18,936	48,300
Supplies and office expense	854		267	283	550	1,404
Travel	6,999		1,806	1,907	3,713	10,712
Website and information technology	<u>2,490</u>		<u>780</u>	<u>825</u>	<u>1,605</u>	<u>4,095</u>
<b>Total Expenses</b>	<b>\$ 569,051</b>		<b>\$ 209,914</b>	<b>\$ 193,497</b>	<b>\$ 403,411</b>	<b>\$ 972,462</b>

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

**STUDENT PRESS LAW CENTER, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (1,210,791)	\$ 855,720
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	1,840	2,589
Net depreciation (appreciation) in fair value of investments	658,720	(456,117)
Forgiveness of PPP loan	-	(127,938)
Decrease (increase) in assets:		
Grants and contributions receivable	198,128	(297,128)
Prepaid expenses	(94)	(1,925)
Inventory	110	49
Increase (decrease) in liabilities:		
Accounts payable	(5,929)	15,005
Accrued expenses	10,063	(21,524)
Net Cash Used for Operating Activities	<u>(347,953)</u>	<u>(31,269)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	326,486	257,541
Purchases of investments	(176,292)	(201,743)
Purchases of property and equipment	(1,605)	(1,807)
Net Cash Provided by Investing Activities	<u>148,589</u>	<u>53,991</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from PPP loan	-	127,938
Net Cash Provided by Financing Activities	<u>-</u>	<u>127,938</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>		
	(199,364)	150,660
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>623,985</u>	<u>473,325</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 424,621</u>	<u>\$ 623,985</u>

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

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**

**NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM DESCRIPTION**

Student Press Law Center, Inc. (“SPLC”) works at the intersection of education, journalism and law to promote, support and defend the rights of student journalists and their advisers in high school and college. Based in Washington, D.C., SPLC is an independent, non-partisan 501(c)(3) organization.

Since its founding in 1974, SPLC has been the only organization dedicated solely to protecting student press freedom. Through the educational, legal and advocacy work, SPLC empowers and uplifts student journalists and their advisers to claim their free press rights using the law.

Student journalists, both at the high school and the college level, are increasingly important actors in the news media ecosystem. A 2022 Pew research study showed that 11% of reporters covering statehouses in the U.S. are students, and in some states, the number is as high as half. 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 that have led to the resignation of key administrators due to student journalists exposing false credentials, and the uncovering of sexual abuse or harassment complaints against faculty members.

SPLC seeks to influence a variety of systems that 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 their core projects:

- The legal hotline, which provides free legal assistance to thousands of students journalists and advisers 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 advocate for student press freedom through legislation and policies;
- Legal training, resources and outreach — both virtually and in person across the country — to proactively educate constituents and allies in the law of student media; and
- Student Press Freedom Day, an annual opportunity to raise national awareness of the challenges student journalists face, celebrate their contributions to their schools and communities, and take action to protect and restore their First Amendment freedoms.

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

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

Often called “the Student Press Freedom Fire Department,” SPLC is the first line of response for students and advisers when difficult issues arise. SPLC’s staff, through its legal hotline, has a direct line to the issues students are facing in a way that others do not. SPLC does not charge for its services, and where other organizations may select high profile cases which 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 more than 200 top media lawyers standing by to take on cases pro bono through its Attorney Referral Network. Collaborations with other First Amendment advocacy and journalism education groups uniquely enables SPLC to represent issues impacting student journalists in broader discussions of press freedoms.

SPLC is at a transformative moment looking toward its 50th anniversary in 2024. 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 work of student journalists — SPLC plays a unique role in protecting and promoting the future of journalism and democracy.

**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

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-02, *Leases* (Topic 842), as amended. FASB Accounting Standards Codification (“ASC”) 842 supersedes the lease requirements in FASB ASC 840. This guidance is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months. Key provisions in this guidance include additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. SPLC adopted FASB ASC Topic 842, with an initial application of January 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, *Leases* (Topic 842): *Targeted Improvements*.

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

Adoption of New Accounting Pronouncement (continued)

As part of the transition, SPLC implemented new controls and key system functionality to enable the preparation of financial information at the end of the adoption of ASC Topic 842 and elected to apply the following practical expedients:

- a) No reassessment of whether any expired or existing contracts contain a lease.
- b) No reassessment of initial direct costs for any existing leases as of the effective date.
- c) In calculating the right-of-use assets and lease liability, SPLC has elected to combine lease and non-lease components.
- d) As an accounting policy, SPLC has elected to apply the short-term lease exception to all leases having initial terms of 12 months or less, and recognize occupancy expense on a straight-line basis over the lease term.

As a result of SPLC only having leases with initial terms of 12 months or less during 2022, no corresponding right-of-use asset or lease liability was required.

Financial Statement Presentation

Financial statement presentation follows Financial Standards Accounting Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958, *Not-for-Profit-Entities*. In accordance with Topic 958, net assets, revenue, gains, and losses are classified based on existence or absence of donor-imposed restrictions. Accordingly, the net assets of SPLC and changes therein, are classified and reported as follows:

*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 in perpetuity by SPLC. 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.

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

**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 equivalents except for those included as part of an investment portfolio. Cash and cash equivalents in certain 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 its cash and cash equivalents.

**Grants and Contributions Receivable**

Grants and contributions receivable are stated at the amount management expects to collect from balances outstanding at year-end. Annually, management determines if an allowance for doubtful accounts is necessary based upon a review of outstanding receivables, historical collection of information, and existing economic conditions. Accounts deemed uncollectible are charged to expense based on specific circumstances of the parties involved. Management believes all receivables are fully collectible; and therefore, as of December 31, 2022 and 2021, no provision for allowance for doubtful accounts was 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 less accumulated depreciation. 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 related assets, ranging from three to seven years.

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(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 statements 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 the donation.

Revenue Recognition

*Grants and Contributions*

SPLC recognizes grants and contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Contributions received with donor stipulations are recorded as contributions with donor restrictions based on the donor's intent. Unless otherwise stated by the donor, individual donations are recorded as contributions without donor restrictions.

*Forgiveness of PPP Loan*

Proceeds received from Congressional Bank under the Small Business Administration's Paycheck Protection Program ("PPP") are recognized as a government grant. This revenue is considered a conditional grant with a measurable performance or other barrier and a right of return, and is not recognized until the conditions outlined in the PPP loan document have been substantially met. The conditional grant is subject to audit by the grantor agency, which could result in a request for reimbursement by the agency for expenditures disallowed under the terms and conditions of the appropriate grantor. As of December 31, 2021, SPLC satisfied the conditions of the terms of the PPP loan, and therefore, recognized the total proceeds as revenue in the accompanying statement of activities.

*Membership and Publications Revenue*

Membership revenue is ostensibly an unconditional contribution, and is recognized at a point in time when the funds are received.

Publications revenue is recognized at a point in time when the books or journals are sold.

**STUDENT PRESS LAW CENTER, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2022 AND 2021**  
(continued)

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

**Methods Used for Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or support function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, rent and occupancy, and any other applicable expenditures, which are allocated on the basis of salaries and related costs, determined by estimates of time and effort expended.

**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.

**NOTE C – INCOME TAXES**

SPLC is a 501(c)(3) organization 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, SPLC is, however, subject to tax on business income unrelated to its exempt purpose. As of December 31, 2022 and 2021, SPLC had no liability for tax on unrelated business income. SPLC files information returns and other tax returns as required.

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.

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 2019 through 2021, 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, grants and contributions receivable, and its investment portfolio. In addition, SPLC anticipates receiving additional grants and contributions that will sufficiently cover its operating expenses over the next 12 months. Although SPLC had net assets with donor restrictions totaling \$3,529,079 and \$4,737,993 as of

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**NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued**

December 31, 2022 and 2021, respectively, \$783,491 and \$1,792,405 of these funds are expected to be available for spending over the next 12 months.

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

As of December 31, 2022 and 2021, total financial assets held by SPLC and the amounts of those financial assets that could readily be made available within one year of the statements of financial position date to meet general expenditures were as follows:

	2022	2021
Cash and cash equivalents	\$ 424,621	\$ 623,985
Grants and contributions receivable	200,000	398,128
Investments - endowment funds	<u>3,254,079</u>	<u>4,062,993</u>
Total Financial Assets	3,878,700	5,085,106
Less: net assets encumbered by donor restrictions - perpetual in nature	(2,745,588)	(2,945,588)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 1,133,112</u>	<u>\$ 2,139,518</u>

**NOTE E – FAIR VALUE MEASUREMENT**

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 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 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.

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**NOTE E – FAIR VALUE MEASUREMENT – 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 is valued at the 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, 2022 and 2021:

Assets at Fair Value as of December 31, 2022				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 158,650	\$ -	\$ -	\$ 158,650
Mutual funds:				
Fixed income	947,484	-	-	947,484
Equity	2,036,843	-	-	2,036,843
Exchange traded funds	111,102	-	-	111,102
Total Investments	<u>\$ 3,254,079</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,254,079</u>

Assets at Fair Value as of December 31, 2021				
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 182,597	\$ -	\$ -	\$ 182,597
Mutual funds:				
Fixed income	1,022,000	-	-	1,022,000
Equity	2,726,776	-	-	2,726,776
Exchange traded funds	131,620	-	-	131,620
Total Investments	<u>\$ 4,062,993</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,062,993</u>

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**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following as of December 31:

	<b>2022</b>	<b>2021</b>
Furniture and equipment	\$ 4,515	\$ 4,515
Computer equipment	<u>12,897</u>	<u>11,292</u>
	17,412	15,807
Less: accumulated depreciation	<u>(14,844)</u>	<u>(13,004)</u>
Property and Equipment, Net	<u><u>\$ 2,568</u></u>	<u><u>\$ 2,803</u></u>

For the years ended December 31, 2022 and 2021, depreciation expense totaled \$1,840 and \$2,348, respectively.

**NOTE G – GRANTS AND CONTRIBUTIONS RECEIVABLE**

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

	<b>2022</b>	<b>2021</b>
Amount due in one year or less	\$ 200,000	\$ 200,128
Amount due between one year and five years	<u>-</u>	<u>200,000</u>
	200,000	400,128
Less: discount, at 1%	<u>-</u>	<u>(2,000)</u>
Total Grants Receivable, Net of Discount	<u><u>\$ 200,000</u></u>	<u><u>\$ 398,128</u></u>

**NOTE H – 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 funds that is not to be held in perpetuity is also 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 the endowment funds. These policies have identified an appropriate risk posture for the endowment funds, stated expectations and

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**NOTE H – ENDOWMENT – continued**

objectives for the funds, provided asset allocation guidelines, and established criteria to monitor and evaluate the performance results of the funds' 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 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.

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, 2022 and 2021, there were no deficiencies in the endowment funds.

SPLC's endowment net assets consisted of the following as of December 31, 2022:

	<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	- <hr/>	508,491 <hr/>	508,491 <hr/>
Balance at December 31, 2022	<hr/> \$ -	<hr/> \$ 3,254,079	<hr/> \$ 3,254,079

Changes in the endowment net assets for the year ended December 31, 2022, were as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Balance as of December 31, 2021	\$ -	\$ 4,062,993	\$ 4,062,993
Interest and dividends	- <hr/>	99,806 <hr/>	99,806 <hr/>
Net depreciation in fair value	- <hr/>	(658,720) <hr/>	(658,720) <hr/>
Appropriation of endowment assets for expenditure	- <hr/>	(250,000) <hr/>	(250,000) <hr/>
Balance as of December 31, 2022	<hr/> \$ -	<hr/> \$ 3,254,079	<hr/> \$ 3,254,079

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**NOTE H – ENDOWMENT – continued**

SPLC's endowment net assets consisted 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	\$ -	\$ 2,745,588	\$ 2,745,588
Portion subject to appropriation for expenditures	- <hr/>	1,317,405 <hr/>	1,317,405 <hr/>
Balance at December 31, 2021	<u>\$ -</u>	<u>\$ 4,062,993</u>	<u>\$ 4,062,993</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>
Balance as of December 31, 2020	\$ -	\$ 3,662,674	\$ 3,662,674
Interest and dividends	- <hr/>	94,202 <hr/>	94,202 <hr/>
Net appreciation in fair value	- <hr/>	456,117 <hr/>	456,117 <hr/>
Appropriation of endowment assets for expenditure	- <hr/>	(150,000) <hr/>	(150,000) <hr/>
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 4,062,993</u>	<u>\$ 4,062,993</u>

**NOTE I – NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2022</u>	<u>2021</u>
Endowment	\$ 3,254,079	\$ 4,062,993
Education and advocacy	275,000 <hr/>	674,999 <hr/>
Total Net Assets With Donor Restrictions	<u>\$ 3,529,079</u>	<u>\$ 4,737,992</u>

**NOTE J – PAYCHECK PROTECTION PROGRAM LOAN**

On May 1, 2020, SPLC secured a loan in the amount of \$114,738 with Congressional Bank (the “Lender”) under the Small Business Administration’s (“SBA”) Paycheck Protection Program (“PPP”) that authorized forgivable loans to small businesses. The 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

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**NOTE J – PAYCHECK PROTECTION PROGRAM LOAN – continued**

described purpose, the loan would become due on May 1, 2022, along with interest calculated at a rate of 1% per annum. On December 31, 2020, the PPP loan was forgiven in full.

On February 10, 2021, SPLC secured another PPP loan in the amount of \$127,938 with the same Lender. The loan had the same conditions and interest rate as the first PPP loan, except the maturity date was in five years from the date of the loan agreement. On November 8, 2021, the second PPP loan was forgiven in full.

For the year ended December 31, 2021, the PPP loan was recognized as revenue on the statement of activities in the amount of \$127,938.

**NOTE K – OPERATING LEASE**

Effective January 1, 2020, SPLC entered into a two-year lease agreement with the Regents of the University of California, which expired on December 31, 2022. However, effective January 1, 2023, the lease was amended to reflect a month-to-month leasing arrangement for the office space. For the years ended December 31, 2022 and 2021, rent and occupancy expense totaled \$48,300 for both years.

**NOTE L – RETIREMENT PLAN**

Effective January 1, 2021, SPLC established the Student Press Law Center 403(b) Retirement Savings Plan (the “Plan”), which replaced the original retirement plan. An employee is eligible to participate in the Plan immediately upon hire. In other words, there is no age or service requirement to join the Plan. In order to receive employer discretionary contributions, the employee must be at least age 21 and have completed a minimum of 1,000 hours (or one year) of service. SPLC makes matching contributions of three percent of the participant’s compensation. For the years ended December 31, 2022 and 2021, SPLC’s contribution to the retirement plan total \$17,783 and \$9,703, respectively.

**NOTE M – SUBSEQUENT EVENTS**

In preparing these financial statements, SPLC has evaluated events and transactions for potential recognition or disclosure through June 22, 2023, the date the financial statements were available to be issued. Other than the amended lease agreement, referenced in Note K, there were no additional events or transactions discovered during the evaluation that require additional recognition or disclosure.