

STUDENT PRESS LAW CENTER, INC.

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

DECEMBER 31, 2021 AND 2020

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Student Press Law Center, Inc. as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.



Washington, DC
September 13, 2022

**STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 623,985	\$ 473,325
Grants and contributions receivable, current portion	200,128	101,000
Prepaid expenses	8,577	6,652
Inventory	1,819	1,868
Total Current Assets	834,509	582,845
OTHER ASSETS		
Grants receivable, net of current portion and discount	198,000	-
Property and equipment, net	2,803	3,585
Investments - endowment funds	4,062,993	3,662,674
Total Other Assets	4,263,796	3,666,259
TOTAL ASSETS	\$ 5,098,305	\$ 4,249,104
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 25,410	\$ 10,405
Accrued expenses	29,658	51,182
Total Liabilities	55,068	61,587
NET ASSETS		
Without donor restrictions	305,244	424,843
With donor restrictions	4,737,993	3,762,674
Total Net Assets	5,043,237	4,187,517
TOTAL LIABILITIES AND NET ASSETS	\$ 5,098,305	\$ 4,249,104

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
REVENUE AND SUPPORT			
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	325,000	(325,000)	-
Total Revenue and Support	<u>852,863</u>	<u>519,202</u>	<u>1,372,065</u>
EXPENSES			
Program Services:			
Education and advocacy	569,051	-	569,051
Support Services:			
General and administrative	209,914	-	209,914
Fundraising	193,497	-	193,497
Total Support Services	<u>403,411</u>	<u>-</u>	<u>403,411</u>
Total Expenses	<u>972,462</u>	<u>-</u>	<u>972,462</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(119,599)	519,202	399,603
OTHER CHANGES			
Net appreciation in fair value of investments	-	456,117	456,117
CHANGE IN NET ASSETS	(119,599)	975,319	855,720
NET ASSETS, beginning of year	<u>424,843</u>	<u>3,762,674</u>	<u>4,187,517</u>
NET ASSETS, end of year	<u>\$ 305,244</u>	<u>\$ 4,737,993</u>	<u>\$ 5,043,237</u>

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 213,039	\$ -	\$ 213,039
Forgiveness of PPP loan	114,738	-	114,738
Membership revenue	2,350	-	2,350
Publications	114	-	114
Other income	139	-	139
Interest and dividends	-	65,542	65,542
Net assets released from restrictions	610,000	(610,000)	-
Total Revenue and Support	<u>940,380</u>	<u>(544,458)</u>	<u>395,922</u>
EXPENSES			
Program Services:			
Education and advocacy	547,668	-	547,668
Support Services:			
General and administrative	240,992	-	240,992
Fundraising	152,542	-	152,542
Total Support Services	<u>393,534</u>	<u>-</u>	<u>393,534</u>
Total Expenses	<u>941,202</u>	<u>-</u>	<u>941,202</u>
CHANGE IN NET ASSETS FROM OPERATIONS	(822)	(544,458)	(545,280)
OTHER CHANGES			
Net appreciation in fair value of investments	-	281,603	281,603
CHANGE IN NET ASSETS	(822)	(262,855)	(263,677)
NET ASSETS, beginning of year	<u>425,665</u>	<u>4,025,529</u>	<u>4,451,194</u>
NET ASSETS, end of year	<u>\$ 424,843</u>	<u>\$ 3,762,674</u>	<u>\$ 4,187,517</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, 2021

	Program Services	Support Services			Total
	Education and Advocacy	General and Administrative	Fundraising	Total Support Services	
Personnel Costs:					
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	45,134	11,034	11,652	22,686	67,820
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	2,490	780	825	1,605	4,095
Total Expenses	\$ 569,051	\$ 209,914	\$ 193,497	\$ 403,411	\$ 972,462

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2020

	Program Services	Support Services			Total
	Education and Advocacy	General and Administrative	Fundraising	Total Support Services	
Personnel Costs:					
Salaries	\$ 412,060	\$ 141,425	\$ 112,677	\$ 254,102	\$ 666,162
Payroll taxes	31,148	10,690	8,517	19,207	50,355
Employee benefits	38,472	13,204	10,520	23,724	62,196
Subtotal Personnel Costs	481,680	165,319	131,714	297,033	778,713
Accounting and audit	-	42,319	-	42,319	42,319
Awards	3,000	-	-	-	3,000
Bank fees	-	1,838	-	1,838	1,838
Depreciation	1,452	499	397	896	2,348
Dues and subscriptions	1,701	455	362	817	2,518
Equipment and computer	2,916	685	3,058	3,743	6,659
Grants	2,368	-	-	-	2,368
Insurance	3,929	1,349	1,074	2,423	6,352
Publication	11	4	3	7	18
Postage	666	225	179	404	1,070
Printing	-	-	4,451	4,451	4,451
Professional development	1,866	332	266	598	2,464
Professional fees	10,203	14,997	703	15,700	25,903
Rent and occupancy	29,876	10,254	8,170	18,424	48,300
Supplies and office expense	1,481	499	398	897	2,378
Travel	4,510	1,527	1,218	2,745	7,255
Website and information technology	2,009	690	549	1,239	3,248
Total Expenses	\$ 547,668	\$ 240,992	\$ 152,542	\$ 393,534	\$ 941,202

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

STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 855,720	\$ (263,677)
Adjustments to reconcile change in net assets to net cash		
Provided by (used for) operating activities:		
Depreciation	2,589	2,348
Net appreciation in fair value of investments	(456,117)	(281,603)
Forgiveness of PPP Loan	(127,938)	(114,738)
Decrease (increase) in assets:		
Grants and contributions receivable	(297,128)	509,000
Prepaid expenses	(1,925)	5,580
Inventory	49	18
Increase (decrease) in liabilities:		
Accounts payable	15,005	4,189
Accrued expenses	(21,524)	22,168
Net Cash Used for Operating Activities	(31,269)	(116,715)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	257,541	100,000
Purchases of investments	(201,743)	(65,542)
Purchases of property and equipment	(1,807)	-
Net Cash Provided by Investing Activities	53,991	34,458
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from PPP loan	127,938	114,738
Net Cash Provided by Financing Activities	127,938	114,738
NET CHANGE IN CASH		
AND CASH EQUIVALENTS	150,660	32,481
CASH AND CASH EQUIVALENTS, beginning of year	473,325	440,844
CASH AND CASH EQUIVALENTS, end of year	\$ 623,985	\$ 473,325

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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE A – NATURE OF THE ORGANIZATION AND PROGRAM DESCRIPTION

Student Press Law Center, Inc. (“SPLC”) works at the intersection of law, journalism and education, to promote, support, and defend the rights of student journalists and their advisers at the high school and college level.

Since its founding in 1974, 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 501(c)(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 our core projects: our 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 which 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. SPLC’s staff 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 which have particular appeal, the SPLC answers every call, providing direct assistance to every inquiry. When cases become particularly

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

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

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 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. 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, 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.

Basis of 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, 2021 AND 2020
(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 those included as part of an investments' portfolio. Cash and cash equivalents in certain accounts are insured by the Federal Deposit Insurance Corporation up to \$250,000 per institution. At times, 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, 2021 and 2020, 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.

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.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 and 2020, 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.

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 other office expenses, which are allocated on the basis of salaries and related costs, determined by estimates of time and effort expended.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(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.

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, 2021 and 2020, 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 2018 through 2020, are open for a tax examination by the Internal Revenue Service, although no request has been made as of the date of these financial statements.

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY

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 \$4,737,992 and \$3,762,674 as of December 31, 2021 and 2020, respectively, \$1,467,405 and \$1,017,086 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.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE D – AVAILABLE RESOURCES AND LIQUIDITY – continued

As of December 31, 2021 and 2020, 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:

	2021	2020
Cash and cash equivalents	\$ 623,985	\$ 473,325
Grants and contributions receivable	398,128	101,000
Investments - endowment funds	4,062,993	3,662,674
Total Financial Assets	<u>5,085,106</u>	<u>4,236,999</u>
Less: net assets encumbered by donor restrictions - perpetual in nature	(2,745,588)	(2,745,588)
Total Financial Assets Available to Meet Cash Needs for General Expenditures within One Year	<u>\$ 2,339,518</u>	<u>\$ 1,491,411</u>

NOTE E – FAIR VALUE MEASUREMENTS

FASB ASC Topic 820, *Fair Value Measurement* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 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 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.
- 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.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE E – FAIR VALUE MEASUREMENTS – continued

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, 2021 and 2020:

	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	\$ 4,062,993	\$ -	\$ -	\$ 4,062,993

	Assets at Fair Value as of December 31, 2020			
	Level 1	Level 2	Level 3	Total
Money market funds	\$ 75,032	\$ -	\$ -	\$ 75,032
Mutual funds:				
Fixed income	1,020,853	-	-	1,020,853
Equity	2,445,165	-	-	2,445,165
Exchange traded funds	121,624	-	-	121,624
Total Investments	\$ 3,662,674	\$ -	\$ -	\$ 3,662,674

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020
(continued)

NOTE F – PROPERTY AND EQUIPMENT

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

	2021	2020
Furniture and equipment	\$ 4,515	\$ 4,515
Computer equipment	11,292	9,485
	<u>15,807</u>	<u>14,000</u>
Less: accumulated depreciation	(13,004)	(10,415)
Property and Equipment, Net	<u>\$ 2,803</u>	<u>\$ 3,585</u>

For the years ended December 31, 2021 and 2020, depreciation expense totaled \$2,589 and \$2,348, respectively.

NOTE G – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	2021	2020
Amount due in one year or less	\$ 200,128	\$ 101,000
Amount due between one year and five years	200,000	-
	<u>400,128</u>	<u>101,000</u>
Less: discount, at 1%	(2,000)	-
Total Grants Receivable, Net of Discount	<u>\$ 398,128</u>	<u>\$ 101,000</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 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

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, 2021 and 2020, there were no deficiencies in the endowment funds.

SPLC’s endowment net assets consisted of the following as of December 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
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	-	1,317,405	1,317,405
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:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
Balance as of December 31, 2020	\$ -	\$ 3,662,674	\$ 3,662,674
Interest and dividends	-	94,202	94,202
Net appreciation in fair value	-	456,117	456,117
Appropriation of endowment assets for expenditure	-	(150,000)	(150,000)
Balance as of December 31, 2021	<u>\$ -</u>	<u>\$ 4,062,993</u>	<u>\$ 4,062,993</u>

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(continued)

NOTE H – ENDOWMENT – continued

SPLC’s endowment net assets consisted of the following as of December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Original donor-restricted gift amount and amounts required to be retained by donor	\$ -	\$ 2,745,588	\$ 2,745,588
Portion subject to appropriation for expenditures	-	917,086	917,086
Balance at December 31, 2020	<u>\$ -</u>	<u>\$ 3,662,674</u>	<u>\$ 3,662,674</u>

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Ending Balance</u>
Balance as of December 31, 2019	\$ -	\$ 3,415,529	\$ 3,415,529
Interest and dividends	-	65,542	65,542
Net appreciation in fair value	-	281,603	281,603
Appropriation of endowment assets for expenditure	-	(100,000)	(100,000)
Balance as of December 31, 2020	<u>\$ -</u>	<u>\$ 3,662,674</u>	<u>\$ 3,662,674</u>

NOTE I – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Endowment	\$ 4,062,993	\$ 3,662,674
Education and advocacy	674,999	100,000
Total Net Assets With Donor Restrictions	<u>\$ 4,737,992</u>	<u>\$ 3,762,674</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 years ended December 31, 2021, and 2020, both PPP loans were recognized as revenue on the statements of activities in the amount of \$127,938 and \$114,738, respectively.

NOTE K – OPERATING LEASE

Effective January 1, 2020, SPLC entered into a new lease agreement with the Regents of the University of California, which expires on December 31, 2022. The annual rent is \$48,300. Rent and occupancy expense for the years ended December 31, 2021 and 2020, totaled \$48,300 and \$48,300, respectively.

Future minimum lease payments for the year ending December 31, 2022, are \$48,300.

NOTE L – RETIREMENT PLAN

On January 1, 2021, SPLC established the Student Press Law Center 403(b) Retirement Savings Plan (the “Plan”), which replaced the original 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 three percent of the participant’s compensation. For the years ended December 31, 2021 and 2020, SPLC’s contribution to the retirement plan total \$9,703 and \$0, respectively.

NOTE M – SUBSEQUENT EVENTS

In preparing these financial statements, SPLC has evaluated events and transactions for potential recognition or disclosure through September 13, 2022, 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.