

STUDENT PRESS LAW CENTER, INC.

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

DECEMBER 31, 2019 AND 2018

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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, 2019 and 2018, 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, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note B to the financial statements, in 2019, Student Press Law Center adopted new accounting guidance, Accounting Standards Update (“ASU”) 2014-09, *Revenue from Contracts with Customers* and ASU 2018-08, *Clarifying the Scope of the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Jane Maruca & McQuade PA

Washington, DC
November 11, 2020

STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

	2019	2018
<u>ASSETS</u>		
CURRENT ASSETS		
Cash and cash equivalents	\$ 440,844	\$ 391,956
Accounts receivable	-	3,103
Grants and contributions receivable, current portion	610,000	180,192
Prepaid expenses	12,232	9,032
Inventory	1,886	2,027
Total Current Assets	1,064,962	586,310
OTHER ASSETS		
Grants receivable-long term, net of discount (Note H)	-	153,200
Property and equipment, net	5,933	3,671
Investments - endowment funds	3,415,529	3,036,763
Total Other Assets	3,421,462	3,193,634
TOTAL ASSETS	\$ 4,486,424	\$ 3,779,944
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Accounts payable	\$ 6,216	\$ 10,884
Accrued expenses	29,014	13,022
Total Liabilities	35,230	23,906
NET ASSETS		
Without donor restrictions	425,665	239,275
With donor restrictions	4,025,529	3,516,763
Total Net Assets	4,451,194	3,756,038
TOTAL LIABILITIES AND NET ASSETS	\$ 4,486,424	\$ 3,779,944

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Grants and contributions	\$ 324,892	\$ 650,000	\$ 974,892
Publications	11,685	-	11,685
Membership revenue	3,997	-	3,997
Interest and dividends	-	100,146	100,146
Other income	112	-	112
Net assets released from restrictions	720,000	(720,000)	-
Total Revenue and Support	1,060,686	30,146	1,090,832
EXPENSES			
Program Services:			
Education and advocacy	572,680	-	572,680
Support Services:			
General and administrative	182,435	-	182,435
Fundraising	119,181	-	119,181
Total Support Services	301,616	-	301,616
Total Expenses	874,296	-	874,296
CHANGE IN NET ASSETS FROM OPERATIONS	186,390	30,146	216,536
OTHER CHANGES			
Net appreciation in fair value of investments	-	478,620	478,620
CHANGE IN NET ASSETS	186,390	508,766	695,156
NET ASSETS, beginning of year	239,275	3,516,763	3,756,038
NET ASSETS, end of year	\$ 425,665	\$ 4,025,529	\$ 4,451,194

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	792,817	109,934	902,751
EXPENSES			
Program Services:			
Education and advocacy	395,137	-	395,137
Support Services:			
General and administrative	211,633	-	211,633
Fundraising	132,416	-	132,416
Total Support Services	344,049	-	344,049
Total Expenses	739,186	-	739,186
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	185,644	3,714,992	3,900,636
NET ASSETS, end of year	\$ 239,275	\$ 3,516,763	\$ 3,756,038

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

STUDENT PRESS LAW CENTER, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2019

	<u>Program Services</u>	<u>Support Services</u>			<u>Total</u>
	<u>Education and Advocacy</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Support Services</u>	
Salaries	\$ 402,495	\$ 85,300	\$ 76,014	\$ 161,314	\$ 563,809
Payroll taxes	28,709	8,818	7,490	16,308	45,017
Employee benefits	24,346	7,437	6,317	13,754	38,100
Subtotal Personnel Costs	<u>455,550</u>	<u>101,555</u>	<u>89,821</u>	<u>191,376</u>	<u>646,926</u>
Accounting and audit	-	40,981	-	40,981	40,981
Awards	3,000	-	-	-	3,000
Bank fees	861	264	225	489	1,350
Depreciation	1,497	460	391	851	2,348
Dues and subscriptions	851	262	222	484	1,335
Equipment and computer	2,631	774	3,021	3,795	6,426
Insurance	3,493	1,073	911	1,984	5,477
Publication	90	28	23	51	141
Postage	2,744	843	716	1,559	4,303
Printing	4,618	1,168	5,345	6,513	11,131
Professional development	1,261	388	1,812	2,200	3,461
Professional fees	22,499	18,608	3,078	21,686	44,185
Rent and occupancy	30,067	9,236	7,845	17,081	47,148
Supplies and office expense	3,851	1,130	958	2,088	5,939
Travel and events	36,799	4,784	4,065	8,849	45,648
Website and information technology	2,868	881	748	1,629	4,497
Total Expenses	<u>\$ 572,680</u>	<u>\$ 182,435</u>	<u>\$ 119,181</u>	<u>\$ 301,616</u>	<u>\$ 874,296</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

	Program Services	Support Services			Total
	Education and Advocacy	General and Administrative	Fundraising	Total Support Services	
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	237,378	128,368	103,389	78,871	469,135
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	2,868	772	748	1,520	4,388
Total Expenses	\$ 395,137	\$ 211,633	\$ 132,416	\$ 191,163	\$ 739,186

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

STUDENT PRESS LAW CENTER, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 695,156	\$ (144,598)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	2,348	1,621
Net depreciation (appreciation) in fair value of investments	(478,620)	308,163
Decrease (increase) in assets:		
Accounts receivable	3,103	-
Grants and contributions receivable	(276,608)	(77,391)
Prepaid expenses	(3,200)	(2,649)
Inventory	141	205
Increase (decrease) in liabilities:		
Accounts payable	(4,668)	(2,829)
Accrued expenses	15,992	1,001
Net Cash Provided by (Used for) Operating Activities	(46,356)	83,523
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	200,000	217,000
Purchases of investments	(100,146)	(96,934)
Purchase of equipment	(4,610)	-
Net Cash Provided by Investing Activities	95,244	120,066
NET CHANGE IN CASH AND CASH EQUIVALENTS	48,888	203,589
CASH AND CASH EQUIVALENTS, beginning of year	391,956	188,367
CASH AND CASH EQUIVALENTS, end of year	\$ 440,844	\$ 391,956

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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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 we conduct 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 we staff and monitor the Legal Hotline, dealing with inquiries from thousands of students and advisers each year, we have our 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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

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

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 First Amendment advocacy and journalism education groups uniquely enables SPLC to represent issues impacting student journalists in broader discussions of press freedoms.

The 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, 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

The Financial Accounting Standards Board (“FASB”) *Accounting Standards Codification Topic 606, Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue. SPLC has implemented Topic 606.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. SPLC has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with our implementation of ASU 2018-08.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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:

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.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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 the donation.

Revenue Recognition

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. Contributions with donor restrictions that are met in the same reporting period as the contribution is received are reported as contributions without donor restrictions support.

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

In-Kind Services and Donations

SPLC recognizes in-kind services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In-kind contributions are recorded at fair value of the services or items received. SPLC received in-kind pro bono legal services totaling \$0 and \$6,292, for the years ended December 31, 2019 and 2018, respectively.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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 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, 2019 and 2018, 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 ended 2016 through 2018, 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 and grants 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. Although SPLC had net assets with donor restrictions totaling \$4,025,529 and \$3,516,763 as of

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
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NOTE D – AVAILABLE RESOURCES AND LIQUIDITY - continued

December 31, 2019 and 2018, respectively, \$1,319,941 and \$771,175 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 its program services, general and administrative, and fundraising activities, to be general operating expenditures.

As of December 31, 2019 and 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:

	2019	2018
Cash and cash equivalents	\$ 440,844	\$ 391,956
Accounts receivable	-	3,103
Grants and pledges receivable	610,000	333,392
Investments - endowment funds	3,415,529	3,036,763
Total Financial Assets	4,466,373	3,765,214
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	\$ 1,720,785	\$ 1,019,626

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.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE E – FAIR VALUE MEASUREMENTS – continued

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.

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 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, 2019 and 2018:

	Assets at Fair Value as of December 31, 2019			
	Level 1	Level 2	Level 3	Total
Money Market Funds	\$ 22,164	\$ -	\$ -	\$ 22,164
Mutual Funds:				
Fixed income	1,021,580	-	-	1,021,580
Equity	2,262,311	-	-	2,262,311
Exchange traded funds	109,474	-	-	109,474
Total Investments	\$ 3,415,529	\$ -	\$ -	\$ 3,415,529

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
(continued)

NOTE E – FAIR VALUE MEASUREMENTS – continued

	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

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2019 and 2018:

	2019	2018
Furniture and equipment	\$ 4,515	\$ 4,515
Computer equipment	9,485	4,875
	14,000	9,390
Less: accumulated depreciation	(8,067)	(5,719)
Property and Equipment, Net	\$ 5,933	\$ 3,671

For the years ended December 31, 2019 and 2018, depreciation expense totaled \$2,348 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

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
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NOTE G – NET ASSETS WITH DONOR RESTRICTIONS - continued

Endowment (continued)

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.

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, 2019 and 2018, there were no deficiencies in the endowment funds.

SPLC’s endowment net assets consisted of the following as of December 31, 2019:

	<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	-	669,941	669,941
Balance at December 31, 2019	<u>\$ -</u>	<u>\$ 3,415,529</u>	<u>\$ 3,415,529</u>

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018
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NOTE G – NET ASSETS WITH DONOR RESTRICTIONS – continued

Endowment (continued)

Changes in the endowment net assets for the year ended December 31, 2019, were as follows:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
Balance as of December 31, 2018	\$ -	\$ 3,036,763	\$ 3,036,763
Interest and dividends	-	100,146	100,146
Net appreciation in fair value	-	478,620	478,620
Appropriation of endowment assets for expenditure	-	(200,000)	(200,000)
Balance as of December 31, 2019	<u>\$ -</u>	<u>\$ 3,415,529</u>	<u>\$ 3,415,529</u>

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

	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	-	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:

	Without Donor Restrictions	With Donor Restrictions	Ending Balance
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>

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
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(continued)

NOTE G – NET ASSETS WITH DONOR RESTRICTIONS – continued

Other Net Assets With Donor Restrictions

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

	<u>2019</u>	<u>2018</u>
Education and advocacy	<u>\$ 650,000</u>	<u>\$ 480,000</u>

NOTE H – GRANTS AND CONTRIBUTIONS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
Amount due in one year or less	\$ 160,000	\$ 180,192
Amount due between one year and five years	-	160,000
	<u>160,000</u>	<u>340,192</u>
Less discount, at 4.25%	-	(6,800)
Total grants receivable, net of discount	<u>\$ 160,000</u>	<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 expired on December 31, 2019. Rent expense for the years ended December 31, 2019 and 2018, totaled \$47,148 and \$47,148, respectively. Effective January 1, 2020, SPLC entered into new lease agreement with the Regents of the University of California, which expires on December 31, 2022. The annual rent is \$48,300.

Future minimum lease payments are as follow:

2020	\$ 48,300
2021	48,300
2022	<u>48,300</u>
Total	<u>\$144,900</u>

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. There were no employer matching contributions for the years ended December 31, 2019 and 2018.

STUDENT PRESS LAW CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
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NOTE K – SUBSEQUENT EVENTS

In preparing these financial statements, SPLC has evaluated events and transactions for potential recognition or disclosure through November 11, 2020, 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.