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Audited Financial Statements

December 31, 2019

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Committee to Protect Journalists, Inc. ("CPJ"), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

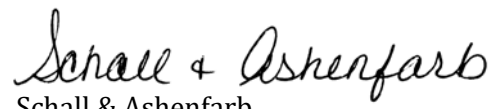
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Committee to Protect Journalists, Inc. as of December 31, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited CPJ's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated May 22, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Schall & Ashenfarb
Certified Public Accountants, LLC

June 3, 2020

COMMITTEE TO PROTECT JOURNALISTS, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2019
(With comparative totals as of December 31, 2018)

Assets

	<u>12/31/19</u>	<u>12/31/18</u>
Cash and cash equivalents	\$6,867,698	\$4,652,630
Pledges receivable, net (Note 3)	3,029,815	3,881,109
Prepaid expenses and other receivable	146,688	112,123
Investments held for term endowment (Note 4 and 6)	436,030	377,027
Investments held for long-term endowment (Note 4 and 9)	13,788,119	12,433,227
Fixed assets, net (Note 5)	3,051,117	214,031
Security deposit	<u>757,528</u>	<u>82,245</u>
Total assets	<u><u>\$28,076,995</u></u>	<u><u>\$21,752,392</u></u>

Liabilities and Net Assets

Liabilities:		
Accounts payable and accrued expenses	\$1,353,238	\$564,797
Due to landlord (Note 10)	789,339	0
Deferred rent	0	34,856
Loans payable (Note 6)	1,443,848	0
Conditional contribution (Note 7)	<u>400,000</u>	<u>400,000</u>
Total liabilities	<u>3,986,425</u>	<u>999,653</u>
Net assets:		
Without donor restrictions	<u>8,015,942</u>	<u>4,405,203</u>
With donor restrictions:		
Restricted for specific purpose and time (Note 8)	2,663,487	4,291,287
Donor restricted endowment (Notes 8 and 9)	<u>13,411,141</u>	<u>12,056,249</u>
Total net assets with donor restrictions	<u>16,074,628</u>	<u>16,347,536</u>
Total net assets	<u>24,090,570</u>	<u>20,752,739</u>
Total liabilities and net assets	<u><u>\$28,076,995</u></u>	<u><u>\$21,752,392</u></u>

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

COMMITTEE TO PROTECT JOURNALISTS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	With Donor Restrictions				Total 12/31/19	Total 12/31/18
	Without Donor Restrictions	Purpose and Time Restrictions (Note 8)	Donor Restricted Endowment (Note 8 and 9)	Total		
Public support and revenue:						
Contributions	\$6,842,107	\$1,525,000		\$1,525,000	\$8,367,107	\$7,568,818
Gala (net of expenses with a direct benefit to donor of \$394,478 and \$395,445 in 2019 and 2018)	2,098,134			0	2,098,134	1,294,830
Investment income/(loss), net (Note 4)	71,918		\$2,055,877	2,055,877	2,127,795	(668,520)
Other income	1,331			0	1,331	4,775
In-kind contributions (Note 12)	979,253			0	979,253	229,064
Net assets released from restriction	3,853,785	(3,152,800)	(700,985)	(3,853,785)	0	0
Total public support and revenue	13,846,528	(1,627,800)	1,354,892	(272,908)	13,573,620	8,428,967
Expenses:						
Program services	7,551,306			0	7,551,306	5,774,403
Management and general	825,469			0	825,469	1,195,693
Fundraising	1,859,014			0	1,859,014	1,187,280
Total expenses	10,235,789	0	0	0	\$10,235,789	8,157,376
Change in net assets	3,610,739	(1,627,800)	1,354,892	(272,908)	3,337,831	271,591
Net assets - beginning of year	4,405,203	4,291,287	12,056,249	16,347,536	20,752,739	20,481,148
Net assets - end of year	\$8,015,942	\$2,663,487	\$13,411,141	\$16,074,628	\$24,090,570	\$20,752,739

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

COMMITTEE TO PROTECT JOURNALISTS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	Program Services				Supporting Services						
	General Programs	Advocacy and Communications	ERT Programs	Total Program Services	Management and General	Fundraising			Total Supporting Services	Total Expenses 12/31/19	Total Expenses 12/31/18
						General Fundraising	Capital Campaign	Total Fundraising			
Salaries	\$1,658,902	\$492,428	\$681,376	\$2,832,706	\$280,440	\$689,550		\$689,550	\$969,990	\$3,802,696	\$3,225,794
Payroll taxes and benefits	568,146	149,872	195,097	913,115	81,488	204,506		204,506	285,994	1,199,109	987,293
Professional fees (including in-kind) (Note 12)	1,757,612	301,794	301,955	2,361,361	322,613	183,771	\$354,068	537,839	860,452	3,221,813	1,943,208
Occupancy	274,782	65,136	83,377	423,295	74,513	89,093	2,635	91,728	166,241	589,536	512,890
Travel	321,838	95,239	16,204	433,281	2,216	120,295	3,250	123,545	125,761	559,042	553,970
Grants	213,833			213,833				0	0	213,833	312,130
Office supplies and maintenance	23,257	5,398	10,693	39,348	5,384	7,423	12,785	20,208	25,592	64,940	60,692
Telecommunications	37,406	8,238	8,305	53,949	7,256	7,004		7,004	14,260	68,209	46,516
Publications, printing and postage	3,843	10,096	2,548	16,487	1,804	71,322	1,552	72,874	74,678	91,165	76,336
Food, facility and entertainment				0		394,478		394,478	394,478	394,478	395,445
Insurance	22,351	6,287	8,047	36,685	3,427	8,599		8,599	12,026	48,711	49,272
Fees	12,115	2,996	4,157	19,268	13,258	26,523	6,752	33,275	46,533	65,801	86,302
Depreciation	67,177	13,554	17,350	98,081	7,390	18,540		18,540	25,930	124,011	128,175
Bad debt expense				0	13,600			0	13,600	13,600	1,395
Other	32,716	55,106	22,075	109,897	12,080	43,687	7,659	51,346	63,426	173,323	173,403
Total expenses	4,993,978	1,206,144	1,351,184	7,551,306	825,469	1,864,791	388,701	2,253,492	3,078,961	10,630,267	8,552,821
Less: cost of direct benefits to donors						(394,478)		(394,478)	(394,478)	(394,478)	(395,445)
Total expenses for statement of activities	\$4,993,978	\$1,206,144	\$1,351,184	\$7,551,306	\$825,469	\$1,470,313	\$388,701	\$1,859,014	\$2,684,483	\$10,235,789	\$8,157,376

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

COMMITTEE TO PROTECT JOURNALISTS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019
(With comparative totals for the year ended December 31, 2018)

	<u>12/31/19</u>	<u>12/31/18</u>
Cash flows from operating activities:		
Change in net assets	\$3,337,831	\$271,591
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	124,011	128,175
Contributions received for capital campaign purchases	(3,160,000)	0
Realized gain on sale of investments	(136,276)	(6,253)
Unrealized (gain)/loss on sale of investments	(1,565,926)	1,047,012
Changes in assets and liabilities:		
Pledges receivable	851,294	(196,650)
Prepaid expenses and other receivable	(34,565)	11,774
Security deposit	(675,283)	(34)
Accounts payable and accrued expenses	788,441	128,108
Due to landlord	789,339	0
Deferred rent	(34,856)	(55,929)
Total adjustments	<u>(3,053,821)</u>	<u>1,056,203</u>
Net cash flows provided by operating activities	<u>284,010</u>	<u>1,327,794</u>
Cash flows from investing activities:		
Purchase of fixed assets	(2,961,097)	(74,559)
Investment income reinvested	(488,434)	(422,951)
Purchase of investments	(1,803,338)	(3,658,586)
Proceeds from sale of investments	2,580,079	4,001,782
Net cash flows used for investing activities	<u>(2,672,790)</u>	<u>(154,314)</u>
Cash flows from financing activities:		
Contributions received for capital campaign purchases	3,160,000	0
Proceeds from loan payable	1,443,848	0
Net cash flows provided by financing activities	<u>4,603,848</u>	<u>0</u>
Net increase in cash and cash equivalents	2,215,068	1,173,480
Cash and cash equivalents - beginning of year	<u>4,652,630</u>	<u>3,479,150</u>
Cash and cash equivalents - end of year	<u>\$6,867,698</u>	<u>\$4,652,630</u>

No interest or income taxes were paid.

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

COMMITTEE TO PROTECT JOURNALISTS, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

Note 1 - Nature of Entity

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

Advocacy/Communications

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

Programs

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

ERT

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

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

Note 2 - Summary of Significant Accounting Policies

a. Basis of Accounting and Revenue Recognition

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

Effective January 1, 2019, CPJ adopted the requirements of the Financial Accounting Standards Board’s (“FASB”) Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers*, and all subsequent amendments to the ASU (collectively, “Topic 606”). This provides the framework for recognizing revenue by highlighting the identification of performance obligations of a contract, determining the price and then allocating the price to each of the performance obligations so that revenue is recognized as each of those performance obligations are satisfied.

Also, effective January 1, 2019, the Foundation adopted ASU No. 2018-08 *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("Topic 605"). Key provisions of this guidance include clarification regarding the accounting for grants and contracts as exchange transactions or contributions, and improved guidance for conditional versus unconditional contributions. In accordance with this new standard, the Foundation evaluates whether a transfer of assets is an exchange transaction in which a resource provider is receiving a commensurate value in return for the transfer of resources or whether it is non-reciprocal. If the transaction is determined to be an exchange transaction, the Foundation applies guidance under Topic 606. If the transaction is determined to be non-reciprocal, it is treated as a contribution under Topic 605.

For contributions, CPJ evaluates whether they are conditional or unconditional. Contributions are considered to be conditional when both a barrier must be overcome for CPJ to be entitled to the revenue and a right of return of the asset or right of release from the obligation exists.

Analysis of the various provisions of both of these standards resulted in no significant changes in the way CPJ recognizes revenue.

b. Basis of Presentation

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

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

c. Cash and Cash Equivalents

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

d. Concentration of Credit Risk

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

e. Revenue Recognition

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

Pledges expected to be received within one year are recorded at net realizable value. Long-term pledges are recorded at fair value using a risk adjusted discounted rate.

Conditional contributions are recognized as income when the conditions have been substantially met.

All pledges receivable are assessed for collectability. Based on a review of several factors, including the credit worthiness of the donor and historical experience, CPJ has an allowance of approximately \$3,000 and \$203,000 as of December 31, 2019 and 2018, respectively.

f. Investments

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

g. Fixed Assets

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

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

h. Deferred Rent

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

i. Significant Concentrations

During 2016, CPJ received one large grant from an outside organization that totaled \$3,750,000, of which \$896,511 and \$1,883,338 was outstanding at December 31, 2019 and 2018, respectively. The receivable at year end represented 28% and 46% of pledges receivable for 2019 and 2018, respectively.

j. Management Estimates

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

k. Expense Allocation

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

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

All other expenses have been charged directly to the applicable program or supporting services.

l. Summarized Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with CPJ's financial statements for the year ended December 31, 2018, from which the summarized information was derived.

m. Accounting for Uncertainty of Income Taxes

CPJ does not believe its financial statements include any material, uncertain tax positions. Tax filings for the periods ending December 31, 2016 and later are subject to examination by applicable taxing authorities.

n. New Pronouncement

FASB issued ASU No. 2016-02, *Leases*. The ASU which becomes effective for the December 31, 2021 year, requires the full obligation of long-term leases to be recorded as a liability with a corresponding "right to use asset" on the statement of financial position.

CPJ is in the process of evaluating the impact this standard will have on future financial statements.

Note 3 - Pledges Receivable

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

	<u>12/31/19</u>	<u>12/31/18</u>
Year ending: December 31, 2019	\$0	\$2,718,152
December 31, 2020	2,497,190	1,146,511
December 31, 2021	350,000	250,000
December 31, 2022	100,000	0
December 31, 2023	<u>100,000</u>	<u>0</u>
	3,047,190	4,114,663
Less: allowance for doubtful accounts	(3,375)	(203,374)
Less: adjustment to fair value, using a discount rate of 1.5 %	<u>(14,000)</u>	<u>(30,180)</u>
Total	<u>\$3,029,815</u>	<u>\$3,881,109</u>

Note 4 - Investments

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

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

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

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

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

Investments consist of:

	<u>December 31, 2019</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Other (a)</u>	<u>Total</u>
Cash	\$848,717	\$0	\$0	\$848,717
Equities - precious metals	796,256	0	0	796,256
Intermediate-term bond	2,341,759	0	0	2,341,759
World bond fund	563,945	0	0	563,945
Equity funds:				
Commodities broad basket	640,118	0	0	640,118
Exchange traded funds:				
Foreign large blend	2,641,813	0	0	2,641,813
Large blend	3,284,344	0	0	3,284,344
Real estate	665,769	0	0	665,769
Private equity	0	1,054,372	0	1,054,372
Hedge funds	<u>0</u>	<u>0</u>	<u>1,387,056</u>	<u>1,387,056</u>
	<u>\$11,782,721</u>	<u>\$1,054,372</u>	<u>\$1,387,056</u>	<u>\$14,224,149</u>

December 31, 2018

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

(A) At December 31, 2019 and 2018, certain funds were invested in hedge funds which are reported at fair value utilizing the net asset values provided by fund managers. Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Investments are designated as follows:

	<u>12/31/19</u>	<u>12/31/18</u>
Long-term endowment (Note 9)	\$13,788,119	\$12,433,227
Term endowment (Note 6)	<u>436,030</u>	<u>377,027</u>
	<u>\$14,224,149</u>	<u>\$12,810,254</u>

Net investment income consists of:

	<u>12/31/19</u>	<u>12/31/18</u>
Interest and dividends	\$488,434	\$422,951
Unrealized gain/(loss)	1,565,926	(1,047,012)
Realized gain on sale of investments	136,276	6,253
Less: investment fees	<u>(62,841)</u>	<u>(50,712)</u>
Net investment income	<u>\$2,127,795</u>	<u>(\$668,520)</u>

Note 5 - Fixed Assets

Fixed assets consist of the following:

	<u>12/31/19</u>	<u>12/31/18</u>
Construction in progress	\$2,961,097	\$0
Furniture (5 years)	428,895	428,895
Office equipment (5 years)	64,158	64,158
Websites (3 years)	256,257	256,257
Leasehold improvements (life of the lease)	164,751	164,751
Database (3 years)	225,371	225,371
Other assets (3 years)	<u>61,031</u>	<u>61,031</u>
	4,161,560	1,200,463
Less: accumulated depreciation	<u>(1,110,443)</u>	<u>(986,432)</u>
Total fixed assets - net	<u>\$3,051,117</u>	<u>\$214,031</u>

Note 6 - Loans Payable

During the year ended December 31, 2019 CPJ entered into two separate agreements, a \$3,500,000 term loan and a \$1,000,000 line of credit with the same financial institution.

The term loan is payable over a 5-year term at an annual interest rate of 3.23% and intended to provide financing for new office space in New York City. As of December 31, 2019, a total of \$1,443,848 had been drawn down and was outstanding. Under the terms of the loan, principal payments are due to begin September 1, 2020.

Minimum scheduled principal payments on the term loan are as follows:

Year ending:	December 31, 2020	\$74,248
	December 31, 2021	225,645
	December 31, 2022	231,917
	December 31, 2023	238,393
	December 31, 2024	<u>673,645</u>
	Total	<u>\$1,443,848</u>

The line of credit accrues interest at the effective prime rate. No amounts were drawn down on this balance during the year ended December 31, 2019.

Note 7 - Conditional Contribution

CPJ received \$400,000 to invest as a term endowment. Investment earnings may be spent on a current basis to support CPJ's programs. As of December 31, 2018, the donor had the unilateral right to reassign the full principal amount of \$400,000 to any other qualified charitable institution within a five-year term, which ended on March 26, 2019 and was extended until April 1, 2024. Accordingly, these funds have been recognized as a conditional contribution as of December 31, 2019 and 2018. Subsequent to year-end the donor informed CPJ of the donor's consent to convert the term endowment into a donor restricted contribution conditional upon CPJ raising funding of \$7,000,000 towards its capital campaign before June 2020.

Note 8 - Net Assets With Donor Restrictions

The following summarizes net assets released from restrictions:

	<u>12/31/19</u>	<u>12/31/18</u>
Restricted for specific purposes:		
Institutional Strengthening	\$922,270	\$1,174,041
Journalist Assistance	0	32,396
Press Freedom in Europe	0	21,163
Latin America Program	25,000	25,000
Emergencies Program	0	80,556
Birch Fellows	202,132	60,219
ACLS Fellowship	28,398	0
United States Program	<u>350,000</u>	<u>392,301</u>
Total restricted for specific purposes	1,527,800	1,785,676
Restricted for time	<u>1,625,000</u>	<u>745,000</u>
Total purpose and time restrictions	3,152,800	2,530,676
Endowment appropriations	<u>700,985</u>	<u>441,077</u>
Total net assets with donor restrictions	<u>\$3,853,785</u>	<u>\$2,971,753</u>

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

	<u>12/31/19</u>	<u>12/31/18</u>
Restricted for specific purposes:		
Institutional Strengthening	\$23,191	\$945,462
Latin America Program	0	25,000
Emergencies Program	50,000	0
Birch Fellows	418,695	420,825
ACLS Fellowship	46,601	0
Capital Campaign	100,000	0
United States Program	<u>100,000</u>	<u>250,000</u>
Total restricted for specific purposes	738,487	1,641,287
Restricted for time	<u>1,925,000</u>	<u>2,650,000</u>
Total purpose and time restrictions	<u>2,663,487</u>	<u>4,291,287</u>
Restricted for endowment		
Endowment funds – corpus (see Note 9)	9,500,000	9,500,000
Endowment funds – earnings (see Note 9)	<u>3,911,141</u>	<u>2,556,249</u>
Total restricted for endowments	<u>13,411,141</u>	<u>12,056,249</u>
Total net assets with donor restrictions	<u>\$16,074,628</u>	<u>\$16,347,536</u>

Note 9 - Investments Held for Endowments

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

At December 31, 2019, the corpus of these endowments consists of the following:

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

Interpretation of Relevant Law

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

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

When endowment funds have earnings in excess of amounts that need to be retained as part of the corpus, their earnings are restricted until the board appropriates for

expenditures, therefore, they have been classified in the class of net assets with donor restrictions.

Spending Policies

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

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

Changes in investments by net asset class were as follows:

	December 31, 2019				
	Without Donor Restrictions	<u>With Donor Restrictions</u>			Total
		Endowment Earnings	Endowment Corpus	Total With Donor Restriction	
Endowment net assets, beginning of year	\$376,978	\$2,556,249	\$9,500,000	12,056,249	\$12,433,227
Net gain on investments	0	1,649,497	0	1,649,497	1,649,497
Interest and dividends, net of fees	0	406,380	0	406,380	406,380
Appropriations for expenditure	<u>0</u>	<u>(700,985)</u>	<u>0</u>	<u>(700,985)</u>	<u>(700,985)</u>
Endowment net assets, end of year	<u>\$376,978</u>	<u>\$3,911,141</u>	<u>\$9,500,000</u>	<u>\$13,411,141</u>	<u>\$13,788,119</u>

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

Endowment Investment Policies

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

Funds with Deficiencies

From time-to-time, the fair value of assets associated with individual endowment funds may fall below the level that the donor or NYPMIFA requires to be retained as a fund of perpetual duration. There were no such deficiencies as of December 31, 2019 and 2018.

Note 10 - Commitments and Contingencies

During 2019, CPJ entered into a non-cancelable 35-year lease agreement for office space which expires in 2054 commencing in 2020. Under the terms of the agreement, CPJ has the right to exercise a purchase option at a purchase price of \$10,128,525 plus a purchase repayment amount. Future minimum payments, excluding utilities and other escalations under the lease are as follows:

Year ending:	December 31, 2020	\$675,235
	December 31, 2021	675,235
	December 31, 2022	675,235
	December 31, 2023	675,235
	December 31, 2024	675,235
	Thereafter	<u>28,655,132</u>
	Total	<u>\$32,031,307</u>

Per the terms of the lease, the landlord paid certain amounts towards tenant improvements to the leased space. As of December 31, 2019, a total of \$789,339 was payable to the landlord for such improvements.

Subsequent to year end, on June 3, 2020, CPJ's board of directors approved a resolution to exercise the purchase option.

Note 11 - Employee Benefits

CPJ sponsors a defined contribution pension plan. All full-time employees with one month of service are eligible to participate. Contributions of 3% are made annually. Employer contributions totaled \$318,504 and \$198,976 for the years ended 2019 and 2018, respectively.

Note 12 - In-Kind Contributions

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

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

	<u>December 31, 2019</u>		
	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Professional fees - legal	<u>\$832,432</u>	<u>\$146,821</u>	<u>\$979,253</u>
	<u>December 31, 2018</u>		
	<u>Programs</u>	<u>Management and General</u>	<u>Total</u>
Professional fees - legal	<u>\$0</u>	<u>\$229,064</u>	<u>\$229,064</u>

Note 13 - Availability and Liquidity

Financial assets at year-end:

Cash and cash equivalents	\$6,867,698
Pledges receivable	3,029,815
Investments held of term endowment	436,030
Investments held for long term endowment	<u>13,788,119</u>
Total financial assets	\$24,121,662

Less amounts not available for general expenditures:

Donor restricted endowment	(13,411,141)
Restricted for specific purposes (excluding Institutional Strengthening)	(715,296)
Time restricted net assets for 2021 and 2022	<u>(900,000)</u>
Total purpose and time restrictions	(15,026,437)

Financial assets available to meet cash needs
for general expenditures within one year \$9,095,225

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

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

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

Note 14 - Subsequent Events

Management has evaluated the impact of all subsequent events through June 3, 2020, which is the date that the financial statements were available to be issued.

Subsequent to year end, the World Health Organization declared a novel coronavirus (COVID-19) outbreak a Public Health Emergency of International Concern. This could adversely affect CPJ's donors and vendors as a result of quarantines, facility closures, and travel and logistics restrictions in connection with the outbreak. More broadly, the outbreak could affect workforces, economies and financial markets globally, potentially leading to an economic downturn. This could adversely affect and harm CPJ's business and results of operations. Management continues to monitor the outbreak, however, as of the date of these financial statements, the potential impact of such on CPJ's business cannot be quantified.