

FREE PRESS AND FREE PRESS ACTION FUND

COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2019



FREE PRESS AND FREE PRESS ACTION FUND

COMBINED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2019 AND 2018

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REPORT OF INDEPENDENT AUDITORS

Boards of Directors
Free Press and Free Press Action Fund

We have audited the accompanying combined financial statements of Free Press and Free Press Action Fund (the Organizations), which comprise the combined statements of financial position as of December 31, 2019 and 2018, and the related combined statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined 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 combined 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 combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined 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 combined 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 combined 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 combined financial statements referred to above present fairly, in all material respects, the combined financial position of Free Press and Free Press Action Fund as of December 31, 2019 and 2018, and the combined changes in their net assets and their combined cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The combining information on pages 15 through 18 is presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, changes in net assets and cash flows of the individual entities and is not a required part of the basic combined financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the combined financial statements. The combining information has been subjected to the auditing procedures applied in the audits of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

CalibreCPAGroup, PLLC

Bethesda, MD
April 1, 2020

FREE PRESS AND FREE PRESS ACTION FUND
COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|---------------------------------------|--------------|--------------|
| ASSETS | | |
| ASSETS | | |
| Cash and cash equivalents | \$ 705,009 | \$ 949,446 |
| Investments | 2,606,641 | 1,468,521 |
| Contributions receivable | 1,235,000 | 1,997,059 |
| Accounts receivable | 15,105 | 25,549 |
| Prepaid expenses | 59,806 | 87,735 |
| Property and equipment, net | 17,959 | 23,084 |
| Security deposit | 12,881 | 21,428 |
| Total assets | \$ 4,652,401 | \$ 4,572,822 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 208,043 | \$ 285,573 |
| Accrued vacation | 169,579 | 148,768 |
| Total liabilities | 377,622 | 434,341 |
| NET ASSETS | | |
| Without donor restrictions | | |
| Undesignated | 422,279 | 154,922 |
| Board designated | | |
| Operating reserve | 1,325,000 | 1,325,000 |
| Total without donor restrictions | 1,747,279 | 1,479,922 |
| With donor restrictions | 2,527,500 | 2,658,559 |
| Total net assets | 4,274,779 | 4,138,481 |
| Total liabilities and net assets | \$ 4,652,401 | \$ 4,572,822 |

See accompanying notes to combined financial statements.

FREE PRESS AND FREE PRESS ACTION FUND

COMBINED STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | | 2018 | |
|---------------------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Without Donor Restrictions | With Donor Restrictions | Without Donor Restrictions | With Donor Restrictions |
| SUPPORT AND REVENUE | | | | |
| Contributions | | | | |
| Membership | \$ 246,686 | \$ - | \$ 246,686 | \$ - |
| News Voices | - | - | - | 50,000 |
| Internet | - | 60,000 | 60,000 | 95,000 |
| Other | 2,926,455 | 1,816,000 | 4,742,455 | 1,246,109 |
| Investment income | 32,662 | - | 32,662 | - |
| Other income | 32,329 | - | 32,329 | - |
| Net assets released from restrictions | 2,007,059 | (2,007,059) | 3,131,800 | (3,131,800) |
| Total support and revenue | <u>5,245,191</u> | <u>(131,059)</u> | <u>5,114,132</u> | <u>(1,740,691)</u> |
| EXPENSES | | | | |
| Program services | 4,188,063 | - | 4,188,063 | - |
| Management and general | 196,535 | - | 196,535 | - |
| Fund raising | 593,236 | - | 593,236 | - |
| Total expenses | <u>4,977,834</u> | <u>-</u> | <u>4,977,834</u> | <u>-</u> |
| CHANGE IN NET ASSETS | 267,357 | (131,059) | 136,298 | (1,740,691) |
| NET ASSETS | | | | |
| Beginning of year | <u>1,479,922</u> | <u>2,658,559</u> | <u>2,008,340</u> | <u>4,399,250</u> |
| End of year | <u>\$ 1,747,279</u> | <u>\$ 2,527,500</u> | <u>\$ 4,274,779</u> | <u>\$ 2,658,559</u> |
| | | | | <u>\$ 4,138,481</u> |

See accompanying notes to combined financial statements.

FREE PRESS AND FREE PRESS ACTION FUND
COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | | | | | |
|---------------------------|----------------------------|---------------------|------------------------------|-------------------|------------------------------|---------------------|
| | Program Services | | | | Total Program Services | |
| Internet Freedom | Platform Accountability | Press Freedom | Management and General | Fund Raising | | Total |
| COMBINED TOTALS | | | | | | |
| Communications | \$ 33,799 | \$ 22,612 | \$ 9,863 | \$ 1,762 | \$ 20,561 | \$ 88,597 |
| Equipment and furnishings | 2,846 | 3,846 | 1,569 | 99 | 318 | 8,678 |
| Occupancy and operating | 150,712 | 96,291 | 83,886 | 20,615 | 64,578 | 416,082 |
| Professional services | 59,959 | 19,169 | 3,592 | 32,407 | 2,184 | 117,311 |
| Special projects | 31,285 | 24,001 | 36,672 | 325 | 421 | 92,704 |
| Staffing costs | 1,590,090 | 1,108,624 | 810,563 | 138,273 | 504,180 | 4,151,730 |
| Travel costs | 31,680 | 20,788 | 46,216 | 3,054 | 994 | 102,732 |
| | <u>\$ 1,900,371</u> | <u>\$ 1,295,331</u> | <u>\$ 992,361</u> | <u>\$ 196,535</u> | <u>\$ 593,236</u> | <u>\$ 4,977,834</u> |

| | 2018 | | | | | |
|---------------------------|----------------------------|-------------------|------------------------------|-------------------|------------------------------|---------------------|
| | Program Services | | | | Total Program Services | |
| Internet Freedom | Platform Accountability | Press Freedom | Management and General | Fund Raising | | Total |
| COMBINED TOTALS | | | | | | |
| Communications | \$ 72,719 | \$ 18,193 | \$ 36,792 | \$ 2,192 | \$ 12,742 | \$ 142,638 |
| Equipment and furnishings | 9,477 | 5,892 | 6,431 | 3,928 | 1,726 | 27,454 |
| Occupancy and operating | 188,444 | 62,000 | 150,018 | 16,436 | 75,955 | 492,853 |
| Professional services | 45,142 | 8,579 | 2,375 | 29,604 | 892 | 86,592 |
| Special projects | 31,649 | 9,062 | 26,032 | 514 | 1,037 | 68,294 |
| Staffing costs | 1,587,702 | 614,872 | 1,257,041 | 111,281 | 405,999 | 3,976,895 |
| Travel costs | 44,268 | 17,924 | 54,580 | 496 | 738 | 118,006 |
| | <u>\$ 1,979,401</u> | <u>\$ 736,522</u> | <u>\$ 1,533,269</u> | <u>\$ 164,451</u> | <u>\$ 499,089</u> | <u>\$ 4,912,732</u> |

See accompanying notes to combined financial statements.

FREE PRESS AND FREE PRESS ACTION FUND

COMBINED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2019 AND 2018

| | 2019 | 2018 |
|--|-------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 136,298 | \$ (2,269,109) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | |
| Depreciation | 5,125 | 2,547 |
| Gain on sale of property and equipment | (13,500) | - |
| Donated securities | (14,902) | - |
| Changes in assets | | |
| Contributions and accounts receivable | 772,503 | 1,612,565 |
| Prepaid expenses | 27,929 | (32,222) |
| Security deposit | 8,547 | (1,138) |
| Changes in liabilities | | |
| Accounts payable and accrued expenses | (77,530) | 37,254 |
| Accrued vacation | 20,811 | 28,359 |
| Net cash provided by (used for) operating activities | 865,281 | (621,744) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | 13,500 | (25,631) |
| Proceeds from sale/maturity of investments | 2,758,667 | 1,365,979 |
| Purchase of investments | (3,881,885) | (1,124,490) |
| Net cash provided by (used for) investing activities | (1,109,718) | 215,858 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (244,437) | (405,886) |
| CASH AND CASH EQUIVALENTS | | |
| Beginning of year | 949,446 | 1,355,332 |
| End of year | \$ 705,009 | \$ 949,446 |

See accompanying notes to combined financial statements.

FREE PRESS AND FREE PRESS ACTION FUND
NOTES TO COMBINED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

NOTE 1. THE ORGANIZATIONS AND NATURE OF OPERATION

Free Press

Free Press, founded in 2003, is a national, non-partisan, not-for-profit organization working to increase informed public participation in crucial media policy debates and to generate policies that will produce a more competitive and public-orientated system with a strong nonprofit and noncommercial sector.

Free Press was created for the charitable and educational purposes of conducting research on how the current media system influences the development of public policy and to educate the public and policy-makers on how a more diverse and public service-orientated media system can strengthen American democracy.

Programs include promoting an affordable, fast internet for every American, fighting media consolidation and promoting a more diverse and local media, and promoting public broadcasting, as well as, reforming the media through education and advocacy.

Free Press Action Fund

Free Press Action Fund, founded in 2003, is a national, non-partisan, not-for-profit, social welfare organization working to educate its members and the general public on how a diverse and public service-oriented media system can strengthen American democracy. Free Press Action Fund advocates and lobbies for media policy that will promote diverse and independent media ownership, strong public media, and universal access to communications.

The accompanying combined financial statements include the accounts of Free Press and Free Press Action Fund (the Organizations). All intercompany transactions have been eliminated in the combined financial statements.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Statement Presentation - Financial statement presentation follows the recommendations of U.S. generally accepted accounting principles in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC), *Not-for-Profit Entities - Presentation of Financial Statements*. Under those principles, the Organization is required to report information regarding its financial position and activities according to two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tax Exempt Status - Free Press is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code and is similarly exempt from state income taxes under Massachusetts law. Free Press Action Fund is exempt from Federal income taxes under Section 501(c)(4) of the Internal Revenue Code and is similarly exempt from state income taxes under Massachusetts law. However, income from activities not directly related to the Organizations' tax-exempt purposes may be subject to tax as unrelated business income. To date, the Organizations have not engaged in such activities and, therefore, no provision has been made for Federal or State income taxes in the accompanying combined financial statements.

The Organizations account for income taxes in accordance with the ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Organizations performed an evaluation of uncertain tax positions for the years ended December 31, 2019 and 2018, and determined that there were no matters that would require recognition in the combined financial statements or that may have an effect on their tax-exempt status. As of December 31, 2019, the statute of limitations for tax years 2016 through 2018 remains open with the U.S. federal jurisdiction and the state of Massachusetts. It is the Organizations' policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.

Cash Equivalents - For reporting purposes, the Organizations consider all investments with original maturities of three months or less to be cash equivalents. In addition, cash equivalents include amounts on deposit with a financial institution that limits withdrawals to once per month.

Investments - Investments consist of amounts held in certificates of deposits and a money market mutual fund, which are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The estimated fair value of certificates of deposit is based on market interest rates, and the fair value of the mutual fund is based on quoted market prices. Investment income includes interest, dividends, and changes in fair value. Investment income is reported in the statements of activities net of all external and direct internal investment expenses.

Promises to Give - Unconditional promises to give are recognized as revenues or gains in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Accounts Receivable - Accounts receivable are carried at their net realizable value. Management considers all current accounts receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment - The Organizations capitalize all expenditures for property and equipment in excess of \$10,000 and having a useful life of greater than three years. Purchased property and equipment are capitalized at cost. Donated property and equipment are capitalized at the estimated fair value at the date of donation. Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

Net Assets - Net assets are reported in two distinct classes as follows:

Net assets without donor restrictions - These net assets are available to finance the general operations of the Organizations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organizations, the environments in which they operate, and the purposes specified in their organizing documents.

Net assets with donor restrictions - These net assets result from contributions and other inflows of assets, the use of which by the Organizations is limited by donor-imposed time or purpose restrictions that are either temporary or perpetual.

Donated Securities - From time to time, the Organizations receive, as donations, financial securities. Revenue is recognized on such donations based on the market value at the time the donation is received and is reported as a component of contributions.

Contributions - Contributions received are reported as increases in net assets not subject to donor restrictions unless received with donor stipulations that require the assets be used for specific purposes or in specific time periods. All donor-restricted revenue is reported as an increase in net assets with donor restrictions. 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 statements of activities as net assets released from restrictions.

Grants - Most grant agreements are accounted for as contribution transactions. When an agreement includes both a barrier and either a right of return of assets to the resource provider or a right of release from obligation by the resource provider, the contribution is considered to be conditional. Amounts received under conditional transfers are reported as a liability and recognized as contribution revenue only when the conditions are met.

Functional Allocation of Expenses - The costs of providing the various programs and supporting activities of the Organizations have been summarized on a functional basis in the statements of activities and functional expenses. Costs that can be specifically identified with a final cost objective are charged directly to that activity. Other costs are allocated among the program and supporting services benefited based on management's best estimates. Salaries and related fringe benefits are allocated based on employee time and effort studies. Information technology costs are allocated based on the relative benefit of related activity use. Other common costs such as occupancy, depreciation and related infrastructure costs are allocated based on employee time and effort studies.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates - The preparation of this combined financial statements in conformity with U.S. generally accepted principles 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 combined financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements Adopted - During the year ended December 31, 2019, the Organizations adopted the provisions of Accounting Standards Update 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (the Update). The Update provides a framework for determining whether a particular transaction is an exchange or a contribution, including how to evaluate whether a resource provider receives commensurate value in an exchange transaction, and guidance to assist entities in determining whether a contribution is either conditional or unconditional. The Update had no significant impact on the accompanying combined financial statements.

NOTE 3. LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

As part of the Organizations' liquidity management, they have a policy to structure their financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organizations maintain three to six months of operating expenses in reserves. The following table represents the Organizations' combined financial assets available to meet cash needs for general expenditures within one year of December 31, 2019 and 2018.

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| Financial assets at end of year | | |
| Cash and cash equivalents | \$ 705,009 | \$ 949,446 |
| Investments | 2,606,641 | 1,468,521 |
| Contributions receivable | 1,235,000 | 1,997,059 |
| Accounts receivable | 15,105 | 25,549 |
| | <u>4,561,755</u> | <u>4,440,575</u> |
| Less amounts unavailable for general expenditures within one year | | |
| Board designated - Operating reserve | (1,325,000) | (1,325,000) |
| Restricted by donors for specific purposes | (1,292,500) | (661,500) |
| Restricted by donors for general support in more than one year | <u>-</u> | <u>(897,059)</u> |
| Financial assets available for general expenditures within one year | <u>\$ 1,944,255</u> | <u>\$ 1,557,016</u> |

NOTE 4. PROMISES TO GIVE

As of December 31, 2019 and 2018, contributions receivable are expected to be collected as follows.

| | <u>2019</u> | <u>2018</u> |
|------------------------------------|---------------------|---------------------|
| Due in less than one year | \$ 1,235,000 | \$ 1,100,000 |
| Due in 2 - 5 years | <u>-</u> | <u>915,000</u> |
| | 1,235,000 | 2,015,000 |
| Less discount to net present value | <u>-</u> | <u>(17,941)</u> |
| | <u>\$ 1,235,000</u> | <u>\$ 1,997,059</u> |

NOTE 5. INVESTMENTS

Investments consist of amounts held in bank certificates of deposit and money market mutual funds. The certificates of deposit are reported at estimated fair value based on the principal balances invested, since due to their relatively short maturities their interest rates approximate current market rates. The money market mutual funds are reported at fair value based on quoted prices. There have been no changes in methodologies used at December 31, 2019 and 2018. Investment income reported in the combined statements of activities for the years ended December 31, 2019 and 2018 consists of interest of \$32,662 and \$27,249, respectively.

NOTE 6. FAIR VALUE MEASUREMENTS

The Organizations report fair value measurements of financial assets and liabilities using a hierarchy for observable independent market inputs and unobservable market assumptions. Considerable judgments are required in interpreting market data used to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value. The three levels of the fair value hierarchy and the inputs used to determine fair values as of December 31, 2019 and 2018 are described below:

Level 1 – Quoted prices in active markets for identical investments.

Level 2 – Other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.).

Level 3 – Significant unobservable inputs (including the Organizations' own assumptions in determining the fair value of investments).

The asset's 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 maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

NOTE 6. FAIR VALUE MEASUREMENTS (CONTINUED)

| | 2019 | | | |
|--------------------------|---------------------|--|-----------------------------------|---|
| | Total Investments | Quoted Price Market for Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Certificates of deposit | \$ 227,927 | \$ - | \$ 227,927 | \$ - |
| Money market mutual fund | <u>2,378,714</u> | <u>2,378,714</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 2,606,641</u> | <u>\$ 2,378,714</u> | <u>\$ 227,927</u> | <u>\$ -</u> |

| | 2018 | | | |
|--------------------------|---------------------|--|-----------------------------------|---|
| | Total Investments | Quoted Price Market for Assets (Level 1) | Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Certificates of deposit | \$ 526,200 | \$ - | \$ 526,200 | \$ - |
| Money market mutual fund | <u>942,321</u> | <u>942,321</u> | <u>-</u> | <u>-</u> |
| | <u>\$ 1,468,521</u> | <u>\$ 942,321</u> | <u>\$ 526,200</u> | <u>\$ -</u> |

NOTE 7. PROPERTY AND EQUIPMENT

Property and equipment consists of the following as of December 31,:

| | 2019 | 2018 |
|--------------------------------|------------------|------------------|
| Office furniture and equipment | \$ 25,631 | \$ 56,377 |
| Leasehold improvements | <u>-</u> | <u>229,146</u> |
| | 25,631 | 285,523 |
| Less accumulated depreciation | <u>(7,672)</u> | <u>(262,439)</u> |
| | <u>\$ 17,959</u> | <u>\$ 23,084</u> |

NOTE 8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with temporary donor restrictions as of December 31, 2019 and 2018 were subject to restriction as follows:

| | <u>2019</u> | <u>2018</u> |
|-------------------------------------|---------------------|---------------------|
| Time-restricted for general support | \$ 1,235,000 | \$ 1,997,059 |
| Internet | - | 7,500 |
| News Voices Program | 992,500 | 339,000 |
| C. Edwin Baker Fellowship Program | 300,000 | 300,000 |
| Surveillance Program | <u>-</u> | <u>15,000</u> |
| | <u>\$ 2,527,500</u> | <u>\$ 2,658,559</u> |

Net assets released from restrictions during 2019 of \$2,007,059 resulted from the expiration of time restrictions in the amount of \$1,297,059 and the satisfaction of purpose restrictions in the amount of \$710,000. Net assets released from restrictions during 2018 of \$3,131,800 resulted from the expiration of time restrictions in the amount of \$1,825,000 and the satisfaction of purpose restrictions in the amount of \$1,306,800.

NOTE 9. RETIREMENT BENEFITS

The Organizations contribute to a Simplified Employee Pension (SEP) Individual Retirement Account (IRA) for employees who are eligible for coverage under the plan. In order to be eligible, an employee must have earned a minimum of \$450 during the preceding twelve months; must be a minimum of 18 years old; and must be a U.S. citizen or certain nonresident alien. The retirement plan contribution can vary each year from 0% to 25% of compensation (said limits are subject to change by federal legislation). Pension expense for the years ended December 31, 2019 and 2018 was \$133,694 and \$118,642, respectively.

NOTE 11. LEASES

Free Press conducts its operations from facilities located in Florence, Massachusetts and Washington, D.C. Effective October 2019, the Florence lease was terminated and most employees previously working in that location now work remotely. The Washington, D.C. lease, which commenced March 1, 2012 with an original expiration of February 28, 2019, was extended through July 31, 2026. In addition to the base minimum rent, Free Press is responsible for its pro-rata share of any increases in real estate taxes. Future minimum lease payments by fiscal year are due as follows:

| | |
|------------|---------------------|
| 2020 | \$ 161,953 |
| 2021 | 168,431 |
| 2022 | 175,168 |
| 2023 | 182,175 |
| 2024 | 189,462 |
| Thereafter | <u>315,006</u> |
| | <u>\$ 1,192,195</u> |

Rent expense for the years ended December 31, 2019 and 2018 was \$191,083 and \$185,281, respectively.

NOTE 12. CONCENTRATIONS

The Organizations maintain their cash, cash equivalents and certificates of deposit with two financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to \$250,000 per depositor. The Organizations had cash balances on deposit with the financial institutions at December 31, 2019 that exceeded the balances insured by the FDIC by approximately \$136,000. These amounts are fully insured by the Depositors Insurance Fund (DIF), which insures all deposits above FDIC limits at Massachusetts chartered savings banks.

Concentrations in revenue with respect to contributions are generally limited due to the large number of contributors comprising the Organizations' contributor bases and their dispersion across different industries and geographic areas. However, during 2019, approximately 78% of total contributions were received from 8 donors, and amounts due from 4 donors comprised 99% of total contributions receivable as of December 31, 2019. During 2018 approximately 58% of total contributions were received from 7 donors, and amounts due from 3 donors comprised 99% of total contributions receivable as of December 31, 2018.

NOTE 13. SUBSEQUENT EVENTS

Subsequent to year-end, U.S. and global business and financial markets have been severely impacted by the Coronavirus pandemic. The potential impacts on the Organization's financial condition and activities cannot be determined at this time. All subsequent events have been evaluated through April 1, 2020, which is the date the financial statements were available to be issued. This review and evaluation revealed no other material event or transaction which would require an adjustment to or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

FREE PRESS AND FREE ACTION FUND
COMBINING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2018)

| | Free Press | Free Press Action Fund | Total | Eliminations | 2019 Total | 2018 Total |
|---|---------------------|---------------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 520,312 | \$ 184,697 | \$ 705,009 | \$ - | \$ 705,009 | \$ 949,446 |
| Investments | 2,585,805 | 20,836 | 2,606,641 | - | 2,606,641 | 1,468,521 |
| Contributions receivable | 1,235,000 | - | 1,235,000 | - | 1,235,000 | 1,997,059 |
| Due from affiliate | 113,323 | - | 113,323 | (113,323) | - | - |
| Accounts receivable | 1,637 | 13,468 | 15,105 | - | 15,105 | 25,549 |
| Prepaid expenses | 58,274 | 1,532 | 59,806 | - | 59,806 | 87,735 |
| Affiliate advance | - | 125,000 | 125,000 | (125,000) | - | - |
| Property and equipment, net | 17,959 | - | 17,959 | - | 17,959 | 23,084 |
| Security deposit | 12,881 | - | 12,881 | - | 12,881 | 21,428 |
| Total assets | \$ 4,545,191 | \$ 345,533 | \$ 4,890,724 | \$ (238,323) | \$ 4,652,401 | \$ 4,572,822 |
| LIABILITIES AND NET ASSETS | | | | | | |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 193,277 | \$ 128,089 | \$ 321,366 | \$ (113,323) | \$ 208,043 | \$ 285,573 |
| Accrued vacation | 169,579 | - | 169,579 | - | 169,579 | 148,768 |
| Advance from affiliate | 125,000 | - | 125,000 | (125,000) | - | - |
| Total liabilities | 487,856 | 128,089 | 615,945 | (238,323) | 377,622 | 434,341 |
| NET ASSETS | | | | | | |
| Without donor restrictions | | | | | | |
| Undesignated | 329,835 | 92,444 | 422,279 | - | 422,279 | 154,922 |
| Board designated | | | | | | |
| Operating reserve | 1,200,000 | 125,000 | 1,325,000 | - | 1,325,000 | 1,325,000 |
| Total without donor restrictions | 1,529,835 | 217,444 | 1,747,279 | - | 1,747,279 | 1,479,922 |
| With donor restrictions | 2,527,500 | - | 2,527,500 | - | 2,527,500 | 2,658,559 |
| Total net assets | 4,057,335 | 217,444 | 4,274,779 | - | 4,274,779 | 4,138,481 |
| Total liabilities and net assets | \$ 4,545,191 | \$ 345,533 | \$ 4,890,724 | \$ (238,323) | \$ 4,652,401 | \$ 4,572,822 |

FREE PRESS AND FREE ACTION FUND

COMBINING STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2019

(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

| | 2019 | | | | 2018 | | |
|--------------------------------------|----------------------------|--------------|-------------------------|----------|----------------------------|-------------------------|--------------|
| | Without Donor Restrictions | | With Donor Restrictions | | Without Donor Restrictions | With Donor Restrictions | 2018 Total |
| | Free Press Action Fund | Total | Free Press Action Fund | Total | | | |
| SUPPORT AND REVENUE | | | | | | | |
| Contributions | | | | | | | |
| Memberships | \$ - | \$ 246,686 | \$ - | \$ - | \$ 327,255 | \$ - | \$ 327,255 |
| Press Freedom | - | - | - | - | - | 50,000 | 50,000 |
| Internet Freedom | - | - | - | 60,000 | - | 95,000 | 95,000 |
| Other | 2,794,385 | 2,926,455 | 1,816,000 | - | 898,010 | 1,246,109 | 2,144,119 |
| Investment income | 31,889 | 32,662 | - | - | 27,249 | - | 27,249 |
| Other income | 32,329 | 32,329 | - | - | - | - | - |
| Net assets released from restriction | 1,939,559 | 2,007,059 | (1,939,559) | (67,500) | 3,131,800 | (3,131,800) | - |
| Total support and revenue | 4,798,162 | 5,245,191 | (123,559) | (7,500) | 4,384,314 | (1,740,691) | 2,643,623 |
| EXPENSES | | | | | | | |
| Program services | 3,923,977 | 4,188,063 | - | - | 4,249,192 | - | 4,249,192 |
| Management and general | 161,834 | 34,701 | - | - | 164,451 | - | 164,451 |
| Fund raising | 469,910 | 123,326 | - | - | 499,089 | - | 499,089 |
| Total expenses | 4,555,721 | 4,977,834 | - | - | 4,912,732 | - | 4,912,732 |
| CHANGE IN NET ASSETS | 242,441 | 267,357 | (123,559) | (7,500) | (528,418) | (1,740,691) | (2,269,109) |
| NET ASSETS | | | | | | | |
| Beginning of year | 1,287,394 | 1,479,922 | 2,651,059 | 7,500 | 2,008,340 | 4,399,250 | 6,407,590 |
| End of year | \$ 1,529,835 | \$ 1,747,279 | \$ 2,527,500 | \$ - | \$ 1,479,922 | \$ 2,658,559 | \$ 4,138,481 |

Note: 2019 unrestricted contributions and program services expenses in the amount of \$150,000 each have been eliminated in combination.

FREE PRESS AND FREE ACTION FUND

COMBINING STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

| | Program Services | | | | Management and General | Fund Raising | 2019 Total | 2018 Total |
|-------------------------------|---------------------|-------------------------|-------------------|------------------------|------------------------|-------------------|---------------------|---------------------|
| | Internet Freedom | Platform Accountability | Press Freedom | Total Program Services | | | | |
| FREE PRESS | | | | | | | | |
| Communications | \$ 24,148 | \$ 21,447 | \$ 9,514 | \$ 55,109 | \$ 1,507 | \$ 19,220 | \$ 75,836 | \$ 75,330 |
| Equipment and furnishings | 950 | 641 | 458 | 2,049 | 83 | 246 | 2,378 | 15,131 |
| Occupancy and operating | 134,243 | 87,790 | 76,110 | 298,143 | 12,492 | 41,968 | 352,603 | 374,469 |
| Professional services | 58,738 | 18,745 | 3,235 | 80,718 | 22,351 | 1,818 | 104,887 | 73,316 |
| Special projects | 120,160 | 51,939 | 68,619 | 240,718 | 315 | 365 | 241,398 | 361,648 |
| Staffing costs | 1,445,795 | 1,009,130 | 694,136 | 3,149,061 | 122,057 | 405,322 | 3,676,440 | 3,161,710 |
| Travel costs | 31,603 | 20,763 | 45,813 | 98,179 | 3,029 | 971 | 102,179 | 115,759 |
| | <u>\$ 1,815,637</u> | <u>\$ 1,210,455</u> | <u>\$ 897,885</u> | <u>\$ 3,923,977</u> | <u>\$ 161,834</u> | <u>\$ 469,910</u> | <u>\$ 4,555,721</u> | <u>\$ 4,177,363</u> |
| FREE PRESS ACTION FUND | | | | | | | | |
| Communications | \$ 9,651 | \$ 1,165 | \$ 349 | \$ 11,165 | \$ 255 | \$ 1,341 | \$ 12,761 | \$ 67,308 |
| Equipment and furnishings | 1,896 | 3,205 | 1,111 | 6,212 | 16 | 72 | 6,300 | 12,323 |
| Occupancy and operating | 16,469 | 8,501 | 7,776 | 32,746 | 8,123 | 22,610 | 63,479 | 118,384 |
| Professional services | 1,221 | 424 | 357 | 2,002 | 10,056 | 366 | 12,424 | 13,276 |
| Special projects | 1,125 | 62 | 53 | 1,240 | 10 | 56 | 1,306 | 6,646 |
| Staffing costs | 144,295 | 99,494 | 116,427 | 360,216 | 16,216 | 98,858 | 475,290 | 815,185 |
| Travel costs | 77 | 25 | 403 | 505 | 25 | 23 | 553 | 2,247 |
| | <u>\$ 174,734</u> | <u>\$ 112,876</u> | <u>\$ 126,476</u> | <u>\$ 414,086</u> | <u>\$ 34,701</u> | <u>\$ 123,326</u> | <u>\$ 572,113</u> | <u>\$ 1,035,369</u> |
| COMBINED TOTALS | | | | | | | | |
| Communications | \$ 33,799 | \$ 22,612 | \$ 9,863 | \$ 66,274 | \$ 1,762 | \$ 20,561 | \$ 88,597 | \$ 142,638 |
| Equipment and furnishings | 2,846 | 3,846 | 1,569 | 8,261 | 99 | 318 | 8,678 | 27,454 |
| Occupancy and operating | 150,712 | 96,291 | 83,886 | 330,889 | 20,615 | 64,578 | 416,082 | 492,853 |
| Professional services | 59,959 | 19,169 | 3,592 | 82,720 | 32,407 | 2,184 | 117,311 | 86,592 |
| Special projects | 31,285 | 24,001 | 36,672 | 91,958 | 325 | 421 | 92,704 | 68,294 |
| Staffing costs | 1,590,090 | 1,108,624 | 810,563 | 3,509,277 | 138,273 | 504,180 | 4,151,730 | 3,976,895 |
| Travel costs | 31,680 | 20,788 | 46,216 | 98,684 | 3,054 | 994 | 102,732 | 118,006 |
| | <u>\$ 1,900,371</u> | <u>\$ 1,295,331</u> | <u>\$ 992,361</u> | <u>\$ 4,188,063</u> | <u>\$ 196,535</u> | <u>\$ 593,236</u> | <u>\$ 4,977,834</u> | <u>\$ 4,912,732</u> |

Note: 2019 special projects expense has been reduced by \$150,000 in combination.

FREE PRESS AND FREE ACTION FUND
COMBINING STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2019
(WITH COMPARATIVE TOTALS FOR YEAR ENDED DECEMBER 31, 2018)

| | Free Press | Free Press Action Fund | Eliminations | 2019 Total | 2018 Total |
|--|-------------|---------------------------|--------------|---------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Change in net assets | \$ 118,882 | \$ 17,416 | \$ - | \$ 136,298 | \$ (2,269,109) |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities | | | | | |
| Depreciation | 5,125 | - | - | 5,125 | 2,547 |
| Gain on sale of property and equipment | (13,500) | - | - | (13,500) | - |
| Donated securities | (14,902) | - | - | (14,902) | - |
| (Increase) decrease in | | | | | |
| Contributions and accounts receivable | 760,868 | 11,635 | - | 772,503 | 1,612,565 |
| Due from affiliate | 78,536 | - | (78,536) | - | - |
| Prepaid expenses | 27,752 | 177 | - | 27,929 | (32,222) |
| Security deposit | 8,547 | - | - | 8,547 | (1,138) |
| Increase (decrease) in | | | | | |
| Accounts payable and accrued expenses | (75,670) | (80,396) | 78,536 | (77,530) | 37,254 |
| Accrued vacation | 20,811 | - | - | 20,811 | 28,359 |
| Advance from affiliate | - | - | - | - | - |
| Net cash provided by (used for) operating activities | 916,449 | (51,168) | - | 865,281 | (621,744) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from sale of property and equipment | 13,500 | - | - | 13,500 | - |
| Purchases of property and equipment | - | - | - | - | (25,631) |
| Proceeds from sale/maturity of investments | 2,758,667 | - | - | 2,758,667 | 1,365,979 |
| Purchase of investments | (3,881,577) | (308) | - | (3,881,885) | (1,124,490) |
| Net cash provided by (used for) investing activities | (1,109,410) | (308) | - | (1,109,718) | 215,858 |
| NET CHANGE IN CASH AND CASH EQUIVALENTS | (192,961) | (51,476) | - | (244,437) | (405,886) |
| CASH AND CASH EQUIVALENTS | | | | | |
| Beginning of year | 713,273 | 236,173 | - | 949,446 | 1,355,332 |
| End of year | \$ 520,312 | \$ 184,697 | \$ - | \$ 705,009 | \$ 949,446 |