

## **FINANCIAL STATEMENTS**



**FOR THE YEARS ENDED  
DECEMBER 31, 2017 AND 2016**

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

CONTENTS

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	2 - 3
EXHIBIT A - Statements of Financial Position, as of December 31, 2017 and 2016	4 - 5
EXHIBIT B - Statements of Activities and Changes in Net Assets, for the Years Ended December 31, 2017 and 2016	6 - 7
EXHIBIT C - Statement of Functional Expenses, for the Year Ended December 31, 2017	8
EXHIBIT D - Statement of Functional Expenses, for the Year Ended December 31, 2016	9
EXHIBIT E - Statements of Cash Flows, for the Years Ended December 31, 2017 and 2016	10
NOTES TO FINANCIAL STATEMENTS	11 - 23
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Schedule of Endowment and Quasi-Endowment Investment Activities, for the Year Ended December 31, 2017	24

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The International Center for Journalists, Inc.  
Washington, D.C.

We have audited the accompanying financial statements of The International Center for Journalists, Inc. (ICFJ), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and changes in net assets, 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 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 ICFJ as of December 31, 2017 and 2016, 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.

4550 MONTGOMERY AVENUE • SUITE 650 NORTH • BETHESDA, MARYLAND 20814  
(301) 951-9090 • FAX (301) 951-3570 • WWW.GRFCA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

### **Other Matter**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Endowment and Quasi-Endowment Investment Activities on page 24 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 13, 2018 on our consideration of ICFJ's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICFJ's internal control over financial reporting and compliance.



June 13, 2018

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

STATEMENTS OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2017 AND 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 499,194	\$ 1,097,074
Investments (Notes 2 and 13)	10,003,517	10,139,391
Advances and other receivables	49,256	232,721
Grants and pledges receivable (Note 3)	8,770,252	12,090,409
Prepaid expenses	<u>256,324</u>	<u>179,980</u>
Total current assets	<u>19,578,543</u>	<u>23,739,575</u>
<b>FIXED ASSETS</b>		
Furniture and leasehold improvements	110,673	110,673
Office equipment	17,438	17,438
Computer equipment	<u>90,788</u>	<u>90,788</u>
	218,899	218,899
Less: Accumulated depreciation and amortization	<u>(173,181)</u>	<u>(157,484)</u>
Net fixed assets	<u>45,718</u>	<u>61,415</u>
<b>NON-CURRENT ASSETS</b>		
Deposits	23,270	23,270
Intangible asset (website)	32,131	-
Grants and pledges receivable, net of current maturities (Note 3)	<u>-</u>	<u>1,052,000</u>
Total non-current assets	<u>55,401</u>	<u>1,075,270</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 19,679,662</u></b>	<b><u>\$ 24,876,260</u></b>

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable and accrued expenses	\$ 764,023	\$ 883,615
Deferred rent (Note 11)	<u>13,578</u>	<u>1,161</u>
Total current liabilities	<u>777,601</u>	<u>884,776</u>

**NON-CURRENT LIABILITIES**

Deferred rent, net of current portion (Note 11)	<u>184,977</u>	<u>198,545</u>
Total liabilities	<u>962,578</u>	<u>1,083,321</u>

**NET ASSETS**

Unrestricted:		
Undesignated	853,890	934,286
Board-designated (Notes 5 and 14):		
Long-Term Reserve Fund	1,107,420	1,068,249
Kay Fanning Visitors' Fund	583,164	531,398
Winship Connection Fund	363,115	332,185
Ruth Ewing Fund	341,668	309,262
President's Fund	294,909	265,636
Accumulated gains on permanently restricted net assets (endowments)	<u>807,972</u>	<u>559,149</u>
Total unrestricted	4,352,138	4,000,165
Temporarily restricted (Notes 6 and 14)	11,967,325	17,395,153
Permanently restricted (Notes 7 and 14)	<u>2,397,621</u>	<u>2,397,621</u>
Total net assets	<u>18,717,084</u>	<u>23,792,939</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 19,679,662</u></b>	<b><u>\$ 24,876,260</u></b>

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<b>REVENUE</b>				
Grants, contributions and program fees (Notes 10 and 12)	\$ 1,103,176	\$ 5,764,136	\$ -	\$ 6,867,312
Information fees and other	96,565	-	-	96,565
Investment income (Note 2)	40,659	49,303	-	89,962
In-kind contributions	-	-	-	-
Appropriation of endowment investment earnings for general support (Note 14)	137,353	-	-	137,353
Net assets released from donor restrictions (Note 8)	<u>11,184,924</u>	<u>(11,184,924)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>12,562,677</u>	<u>(5,371,485)</u>	<u>-</u>	<u>7,191,192</u>
<b>EXPENSES</b>				
Program Services: Programs	<u>9,950,566</u>	<u>-</u>	<u>-</u>	<u>9,950,566</u>
Supporting Services: General and Administrative	1,529,364	-	-	1,529,364
Development	422,696	-	-	422,696
Fundraising	<u>719,575</u>	<u>-</u>	<u>-</u>	<u>719,575</u>
Total supporting services	<u>2,671,635</u>	<u>-</u>	<u>-</u>	<u>2,671,635</u>
Total expenses	<u>12,622,201</u>	<u>-</u>	<u>-</u>	<u>12,622,201</u>
Changes in net assets from operations before other items	(59,524)	(5,371,485)	-	(5,431,009)
<b>OTHER ITEMS-NON-OPERATING</b>				
Grant funds rescinded by donors (Note 15)	-	(142,528)	-	(142,528)
Investment income (loss) - endowment (Note 2)	548,850	86,185	-	635,035
Appropriation of endowment investment earnings for general support (Note 14)	<u>(137,353)</u>	<u>-</u>	<u>-</u>	<u>(137,353)</u>
Changes in net assets	351,973	(5,427,828)	-	(5,075,855)
Net assets at beginning of year	<u>4,000,165</u>	<u>17,395,153</u>	<u>2,397,621</u>	<u>23,792,939</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 4,352,138</u></b>	<b><u>\$ 11,967,325</u></b>	<b><u>\$ 2,397,621</u></b>	<b><u>\$ 18,717,084</u></b>

<b>2016</b>			
<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ 1,186,977	\$ 9,944,926	\$ 82,833	\$ 11,214,736
109,189	-	-	109,189
45,160	17,417	-	62,577
3,000	50,750	-	53,750
120,906	-	-	120,906
<u>11,602,918</u>	<u>(11,602,918)</u>	<u>-</u>	<u>-</u>
<u>13,068,150</u>	<u>(1,589,825)</u>	<u>82,833</u>	<u>11,561,158</u>
<u>10,504,002</u>	<u>-</u>	<u>-</u>	<u>10,504,002</u>
1,431,791	-	-	1,431,791
338,260	-	-	338,260
<u>679,704</u>	<u>-</u>	<u>-</u>	<u>679,704</u>
<u>2,449,755</u>	<u>-</u>	<u>-</u>	<u>2,449,755</u>
<u>12,953,757</u>	<u>-</u>	<u>-</u>	<u>12,953,757</u>
114,393	(1,589,825)	82,833	(1,392,599)
-	(224,524)	-	(224,524)
282,077	43,302	-	325,379
<u>(120,906)</u>	<u>-</u>	<u>-</u>	<u>(120,906)</u>
275,564	(1,771,047)	82,833	(1,412,650)
<u>3,724,601</u>	<u>19,166,200</u>	<u>2,314,788</u>	<u>25,205,589</u>
<b><u>\$ 4,000,165</u></b>	<b><u>\$ 17,395,153</u></b>	<b><u>\$ 2,397,621</u></b>	<b><u>\$ 23,792,939</u></b>

See accompanying notes to financial statements.



## THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Supporting Services</u>				<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Programs</u>	<u>General and Administrative</u>	<u>Development</u>	<u>Fundraising</u>		
Salaries	\$ 1,253,878	\$ 618,904	\$ 298,655	\$ 304,786	\$ 1,222,345	\$ 2,476,223
Fringe benefits	474,730	239,943	112,146	117,332	469,421	944,151
Professional services	1,183,041	112,275	6,042	69,135	187,452	1,370,493
Meeting and conferences	100,443	1,394	-	140,976	142,370	242,813
Occupancy (Note 11)	-	338,008	-	-	338,008	338,008
Travel	249,658	41,004	5,251	30,387	76,642	326,300
Knight Fellows cost	1,386,226	-	-	-	-	1,386,226
Awards and project grants	317,538	-	-	19,000	19,000	336,538
Subgrants	3,412,997	-	-	-	-	3,412,997
Subcontracts	292,296	-	-	-	-	292,296
Participant support cost	1,132,694	-	-	3,121	3,121	1,135,815
Other operating cost	147,065	177,836	602	34,838	213,276	360,341
<b>TOTAL</b>	<b>\$ 9,950,566</b>	<b>\$ 1,529,364</b>	<b>\$ 422,696</b>	<b>\$ 719,575</b>	<b>\$ 2,671,635</b>	<b>\$ 12,622,201</b>

## THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Supporting Services				Total Supporting Services	Total Expenses
	Programs	General and Administrative	Development	Fundraising		
Salaries	\$ 1,283,840	\$ 607,847	\$ 231,885	\$ 316,812	\$ 1,156,544	\$ 2,440,384
Fringe benefits	445,703	195,353	78,581	107,361	381,295	826,998
Professional services	1,425,165	85,513	23,285	32,574	141,372	1,566,537
Meeting and conferences	118,389	2,456	49	137,286	139,791	258,180
Occupancy (Note 11)	-	333,127	-	-	333,127	333,127
Travel	371,502	39,411	3,718	22,219	65,348	436,850
Knight Fellows cost	1,098,085	-	-	-	-	1,098,085
Awards and project grants	204,499	-	-	19,000	19,000	223,499
Subgrants	3,150,993	-	-	-	-	3,150,993
Subcontracts	211,427	-	-	-	-	211,427
Participant support cost	2,021,898	-	-	-	-	2,021,898
Other operating cost	172,501	168,084	742	44,452	213,278	385,779
<b>TOTAL</b>	<b>\$ 10,504,002</b>	<b>\$ 1,431,791</b>	<b>\$ 338,260</b>	<b>\$ 679,704</b>	<b>\$ 2,449,755</b>	<b>\$ 12,953,757</b>

## THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (5,075,855)	\$ (1,412,650)
Adjustments to reconcile changes in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	15,697	21,773
Realized and unrealized gain on investments	(612,121)	(301,863)
Contributions restricted for long-term investment	-	(82,833)
Decrease (increase) in:		
Advances and other receivables	183,465	(64,072)
Grants and pledges receivable	4,372,157	2,778,839
Prepaid expenses	(76,344)	(41,717)
(Decrease) increase in:		
Accounts payable and accrued expenses	(119,592)	60,627
Deferred rent	<u>(1,151)</u>	<u>6,310</u>
Net cash (used) provided by operating activities	<u>(1,313,744)</u>	<u>964,414</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(2,601,026)	(4,279,473)
Proceeds from sale of investments	3,349,021	3,255,178
Website development	<u>(32,131)</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>715,864</u>	<u>(1,024,295)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from contributions restricted for long-term investment	<u>-</u>	<u>82,833</u>
Net cash provided by financing activities	<u>-</u>	<u>82,833</u>
Net (decrease) increase in cash and cash equivalents	(597,880)	22,952
Cash and cash equivalents at beginning of year	<u>1,097,074</u>	<u>1,074,122</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 499,194</u></b>	<b><u>\$ 1,097,074</u></b>

**THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The International Center for Journalists, Inc. (ICFJ) is at the forefront of the news revolution. ICFJ's programs empower journalists and engage citizens with new technologies and best practices. ICFJ's networks of reporters and media entrepreneurs are transforming the field. ICFJ believes that better journalism leads to better lives.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958, *Not-for-Profit Entities*.

Cash and cash equivalents -

ICFJ considers all cash and other highly liquid investments, including certificates of deposit, with maturities of three months or less to be cash equivalents, and excluding money market funds held by investment managers in the amount of \$2,200,070 and \$2,949,878 for the years ended December 31, 2017 and 2016, respectively.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to a limit of \$250,000. At times during the year, ICFJ maintains cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at their readily determinable fair value. Realized and unrealized gains and losses on unrestricted undesignated net assets are included in investment income in the accompanying Statements of Activities and Changes in Net Assets. Realized and unrealized gains and losses on permanently restricted, temporarily restricted and Board-designated net assets are included as an other item in the accompanying Statements of Activities and Changes in Net Assets.

Investment risks and uncertainties -

ICFJ invests in various investment securities. Investment securities are exposed to various risks such as interest rates, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Grants and pledges receivable -

Grants and pledges receivable approximate fair value. Management considers all amounts to be fully collectible. Accordingly, an allowance for doubtful accounts has not been established.

Fixed assets and intangible assets -

Furniture, equipment, leasehold improvements and intangible assets purchased in excess of \$2,500 are capitalized and stated at cost.

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
(Continued)

Fixed assets (continued) -

Furniture and equipment are depreciated over the estimated useful lives of the assets, which range from three to five years, using the straight-line method. Leasehold improvements are amortized over the life of the lease.

Intangible assets are amortized over the estimated useful lives of the asset, which ranges from three to five years, using the straight-line method.

Expenditures for major repairs and maintenance are capitalized; expenditures for minor repairs and maintenance costs are expensed when incurred. All equipment purchased with grant funds is expensed the year it is purchased.

Income taxes -

ICFJ is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. ICFJ is not a private foundation.

Uncertain tax positions -

For the years ended December 31, 2017 and 2016, ICFJ has documented its consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and has determined that no material uncertain tax positions qualify for either recognition or disclosure in the financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of ICFJ and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of ICFJ and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of Activities and Changes in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by ICFJ

Grants, contributions and program fees -

ICFJ reports gifts of cash and other assets as temporarily restricted if they are received with donor stipulations that limit the use of the donated assets.

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**  
**(Continued)**

Grants, contributions and program fees (continued) -

When a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the Statements of Activities and Changes in Net Assets. Unrestricted contributions and grants are reported as revenue in the year in which payments are received and/or unconditional promises are made.

In-kind contributions -

In-kind contributions consist primarily of printing, airline tickets and advertising. In-kind contributions are recorded at their fair market value as of the date of the gift.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statements of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair value measurement -

ICFJ adopted the provisions of FASB ASC 820, *Fair Value Measurement*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs (assumptions that market participants would use in pricing assets and liabilities, including assumptions about risk) used to measure fair value, and enhances disclosure requirements for fair value measurements. ICFJ accounts for a significant portion of its financial instruments at fair value or considers fair value in their measurement.

New accounting pronouncements (not yet adopted) -

In August 2016, the FASB issued ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), intended to improve financial reporting for not-for-profit entities. The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statements of Activities and Changes in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses, donor restrictions, and underwater endowments. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of ICFJ's financial statements, it is not expected to alter ICFJ's reported financial position.

**THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

New accounting pronouncements (not yet adopted) (continued) -

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606) (ASU 2014-09). The ASU establishes a comprehensive revenue recognition standard for virtually all industries under generally accepted accounting principles in the United States (U.S. GAAP) including those that previously followed industry-specific guidance. The guidance states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 in August 2015 that deferred the effective date of ASU 2014-09 by a year; thus, the effective date is years beginning after December 15, 2018. Early adoption is permitted. ICFJ has not yet selected a transition method and is currently evaluating the effect that the updated standard will have on its financial statements.

In 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). The ASU changes the accounting treatment for operating leases by recognizing a lease asset and lease liability at the present value of the lease payments in the Statements of Financial Position and disclosing key information about leasing arrangements. The ASU is effective for private entities for years beginning after December 15, 2019. Early adoption is permitted. The ASU should be applied at the beginning of the earliest period presented using a modified retrospective approach.

ICFJ plans to adopt the new ASUs at the respective required implementation dates.

**2. INVESTMENTS**

Investments consisted of the following at December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
	<b>Fair Value</b>	
Money market funds	\$ 2,200,070	\$ 2,949,878
Mutual funds	5,129,183	4,559,593
Corporate bonds and certificates of deposit	2,211,173	2,250,100
Equities	463,091	379,820
<b>TOTAL INVESTMENTS</b>	<b>\$ 10,003,517</b>	<b>\$ 10,139,391</b>

These balances included permanently restricted and Board designated funds (Schedule 1).

Included in investment income are the following:

	<b>2017</b>	<b>2016</b>
Interest and dividends, net of fees	\$ 112,876	\$ 86,093
Realized and unrealized gains	612,121	301,863
<b>TOTAL INVESTMENT INCOME</b>	<b>\$ 724,997</b>	<b>\$ 387,956</b>

**THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**3. GRANTS AND PLEDGES RECEIVABLE**

Grants and pledges receivable consisted of the following at December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
Foundations and U.S. Government agencies	\$ 8,483,090	\$ 12,444,204
Corporations	235,403	633,000
Individuals and estates	51,759	65,205
<b>TOTAL GRANTS AND PLEDGES RECEIVABLE</b>	<b>\$ 8,770,252</b>	<b>\$ 13,142,409</b>

Following is a schedule of maturities, by year, of grants and pledges receivable at December 31, 2017 and 2016:

	<b>2017</b>	<b>2016</b>
2017	\$ -	\$ 12,090,409
2018	8,770,252	1,052,000
	<b>\$ 8,770,252</b>	<b>\$ 13,142,409</b>

**4. LINE OF CREDIT**

In August 2015, ICFJ opened a \$1,500,000 revolving line of credit with its banking institution with an initial maturity date of August 5, 2016. The agreement has been extended through August 5, 2018. Amounts borrowed under this agreement bear interest at the LIBOR Daily Floating Rate plus 2.5%. The line is secured by ICFJ's cash, investments, receivables and fixed assets. As of December 31, 2017 and 2016, there were no outstanding borrowings on the line of credit.

**5. BOARD DESIGNATED NET ASSETS**

Long-Term Reserve Fund:

The Long-Term Reserve Fund was established as a reserve for ICFJ's future cash needs. Transfers to or from the Long-Term Reserve Fund or to the Operating Fund must be approved by either the President or the Treasurer.

Kay Fanning Visitors' Fund:

The Kay Fanning Visitors' Fund was established to support the Kay Fanning Visitors' Program, which provides visiting journalists with information, resources and on-going support. At the Direction of the Board of Directors, the organization may spend four percent of a three-year rolling average of the assets in the endowment.



THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

5. BOARD DESIGNATED NET ASSETS (Continued)

Winship Connection Fund:

The Board of Director's established the Winship Connection Fund (the Fund) with a designation of \$300,000 in 2012. The purpose of the Fund is to support the general operations of ICFJ. At the Direction of the Board of Directors, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

Ruth Ewing Fund:

The Board of Director's established the Ruth Ewing Fund (the Fund) with a designation of \$300,000 in 2015. The purpose of the Fund is to support the general operations of ICFJ. At the Direction of the Board of Directors, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

President's Fund:

The Board of Director's established the President's Fund (the Fund) with a designation of \$179,000 in 2015. An additional amount of \$27,250 was added during 2015. The purpose of the Fund is to support the general operations of ICFJ. At the Direction of the Board of Directors, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

Accumulated gains on permanently restricted net assets (endowments):

This fund accumulates the realized and unrealized gains and losses generated from the General Endowment Fund, the Founder's Fund and the Kay Fanning Endowment Fund (Note 7). The accumulated gains may only be spent upon approval from the Board of Directors.

6. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
General support (time restricted)	\$ 151,351	\$ 57,843
Programs	9,682,182	16,584,889
Knight International Journalism Fellowship Program	1,306,268	-
Quasi-Endowment: Special Projects Fund	737,177	650,992
Kay Fanning Endowment Fund	90,347	72,046
In-kind software, travel and printing	<u>-</u>	<u>29,383</u>
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b><u>\$ 11,967,325</u></b>	<b><u>\$ 17,395,153</u></b>

During 2002, ICFJ established the Special Projects Fund (the Fund). The Fund was established by contributions from the families of ICFJ's Co-Founders. The Fund was established to enable ICFJ to place itself on the cutting edge of its journalism education business and to respond promptly to unusual demands for its services, including training and international journalism and research.

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

7. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following:

General Endowment Fund:

The General Endowment Fund's net assets at December 31, 2017 and 2016, consisted of \$916,383. Contributions received are restricted by the donors to remain in-perpetuity.

Realized and unrealized gains and losses are accumulated in a separate Board designated fund (Note 5). At the direction of the Board, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

Founders' Fund:

The Founders' Fund's net assets at December 31, 2017 and 2016, consisted of \$752,173. Contributions received are restricted to remain in-perpetuity. Realized and unrealized gains and losses are accumulated in a separate Board designated fund (Note 5). At the direction of the Board, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

Kay Fanning Endowment Fund:

The Kay Fanning Endowment Fund's permanently restricted net assets at December 31, 2017 and 2016, consisted of \$141,500. Contributions received are restricted to remain in-perpetuity. The interest and dividends generated from the contributions are to be used towards the Visitors' Program.

Howard Endowment Fund:

The Howard Endowment Fund was created by a gift received in 2014. Permanently restricted net assets related to this fund at December 31, 2017 and 2016 consisted of \$587,565. Contributions received are restricted to remain in-perpetuity. At the direction of the Board, the organization may spend four percent of a three-year rolling average of the assets in the endowment.

8. NET ASSETS RELEASED FROM RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by the passage of time or as a result of ICFJ incurring expenses, which satisfied the restricted purposes specified by the donors:

	<u>2017</u>	<u>2016</u>
General support (passage of time)	\$ 31,491	\$ 34,324
Programs	11,124,050	11,528,094
In-kind software, travel and printing	<u>29,383</u>	<u>40,500</u>
<b>TOTAL NET ASSETS RELEASED FROM RESTRICTIONS</b>	<b><u>\$ 11,184,924</u></b>	<b><u>\$ 11,602,918</u></b>

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

9. RETIREMENT PLAN

ICFJ participates in a retirement plan that covers employees who meet certain employment and age requirements. ICFJ will match an employee's contribution based on the Plan requirements.

Retirement Plan contributions for 2017 and 2016 totaled \$116,134 and \$102,969, respectively.

10. CONTINGENCY

ICFJ receives grants from various agencies of the United States Government. Beginning for fiscal year ended December 31, 2015, such grants are subject to audit under the provisions of *Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits.

Audits in accordance with the applicable provisions have been completed for all required fiscal years through 2017. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

11. LEASE COMMITMENT

During 2012, ICFJ signed a ten and a half year lease for space, for which occupancy began in April 2013. The lease includes a six-month rent abatement and an annual rent increase of 2.5%.

Accounting principles generally accepted in the United States of America require that the total rent commitment should be recognized on a straight-line basis over the term of the lease. Accordingly, the difference between the actual monthly payments and the rent expense being recognized for financial statement purposes is recorded as a deferred rent liability on the Statements of Financial Position.

Rent expense, including ICFJ's share of the building's operating expenses for the years ended December 31, 2017 and 2016, totaled \$338,008 and \$333,127, respectively. Deferred rent totaled \$198,555 and \$199,706 as of December 31, 2017 and 2016, respectively.

Minimum lease payments required under the aforementioned leases are as follows:

**Year Ending December 31,**

2018	\$ 318,770
2019	328,326
2020	336,534
2021	344,947
2022	353,571
Thereafter	<u>271,252</u>
	<b><u>\$ 1,953,400</u></b>

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

**12. CONCENTRATION OF REVENUE**

During 2017 and 2016, approximately 42% and 53%, respectively, of ICFJ's unrestricted revenue was earned from grants awarded directly or indirectly by agencies of the United States Government. In addition, approximately 58% and 53% of ICFJ's total revenue for the years ended December 31, 2017 and 2016, respectively, was derived from grants awarded directly or indirectly by agencies of the United States Government. Management of ICFJ has no reason to believe that relationships with these donors will be discontinued in the foreseeable future. However, any interruption with respect to these relationships (i.e. the failure to renew grant agreements or withholding of funds) could potentially affect ICFJ's ability to finance ongoing operations.

**13. FAIR VALUE MEASUREMENT**

In accordance with FASB ASC 820, *Fair Value Measurement*, ICFJ has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

**Level 1.** These are investments where values are based on unadjusted quoted prices for identical assets in an active market ICFJ has the ability to access.

**Level 2.** These are investments where values are based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-based valuation techniques that utilize inputs that are observable either directly or indirectly for substantially the full-term of the investments.

**Level 3.** These are investments where inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2017 and 2016.

- *Money market funds* - Cash and based upon the current stated value per the investment advisors.
- *Mutual funds* - Fair value is equal to the reported net asset value of the fund, which is the price at which additional shares can be obtained.
- *Corporate bonds* - Fair value is based upon current yields available on comparable securities of issuers with similar ratings, the security's terms and conditions, and interest rate and credit risk.
- *Certificates of deposit* - Generally valued at original cost plus accrued interest, which approximates fair value.

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

13. FAIR VALUE MEASUREMENT (Continued)

- *Equities* - Fair value is based upon the closing price reported on the active market in which the individual equities are traded.

The table below summarizes, by level within the fair value hierarchy, ICFJ's investments as of December 31, 2017:

	2017			Total
	Level 1	Level 2	Level 3	
<b>Asset Class:</b>				
Money market funds	\$ 2,200,070	\$ -	\$ -	\$ 2,200,070
Mutual funds	5,129,183	-	-	5,129,183
Corporate bonds and certificates of deposit	-	2,211,173	-	2,211,173
Equities	<u>463,091</u>	<u>-</u>	<u>-</u>	<u>463,091</u>
<b>TOTAL</b>	<b><u>\$ 7,792,344</u></b>	<b><u>\$ 2,211,173</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,003,517</u></b>

The table below summarizes, by level within the fair value hierarchy, ICFJ's investments as of December 31, 2016:

	2016			Total
	Level 1	Level 2	Level 3	
<b>Asset Class:</b>				
Money market funds	\$ 2,949,878	\$ -	\$ -	\$ 2,949,878
Mutual funds	4,559,593	-	-	4,559,593
Corporate bonds and certificates of deposit	-	2,250,100	-	2,250,100
Equities	<u>379,820</u>	<u>-</u>	<u>-</u>	<u>379,820</u>
<b>TOTAL</b>	<b><u>\$ 7,889,291</u></b>	<b><u>\$ 2,250,100</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,139,391</u></b>

14. ENDOWMENT

ICFJ's endowment consists of donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing ICFJ to appropriate for expenditures or accumulate so much of an endowment fund as ICFJ determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors. As a result of this interpretation, ICFJ has not changed the way permanently restricted net assets are classified. See Note 1 for further information on net asset classification.

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

14. ENDOWMENT (Continued)

The remaining portion of the donor-restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, ICFJ considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of December 31, 2017 are as follows:

	<u>2017</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 827,524	\$ 2,397,621	\$ 3,225,145
Board-Designated Endowment Funds	1,582,856	-	-	1,582,856
Accumulated gains on permanently restricted net assets	<u>807,972</u>	<u>-</u>	<u>-</u>	<u>807,972</u>
<b>TOTAL</b>	<b><u>\$ 2,390,828</u></b>	<b><u>\$ 827,524</u></b>	<b><u>\$ 2,397,621</u></b>	<b><u>\$ 5,615,973</u></b>

Endowment net asset composition by type of fund as of December 31, 2016, are as follows:

	<u>2016</u>			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Restricted Endowment Funds	\$ -	\$ 723,038	\$ 2,397,621	\$ 3,120,659
Board-Designated Endowment Funds	1,438,481	-	-	1,438,481
Accumulated gains on permanently restricted net assets	<u>559,149</u>	<u>-</u>	<u>-</u>	<u>559,149</u>
<b>TOTAL</b>	<b><u>\$ 1,997,630</u></b>	<b><u>\$ 723,038</u></b>	<b><u>\$ 2,397,621</u></b>	<b><u>\$ 5,118,289</u></b>

THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016

14. ENDOWMENT (Continued)

Changes in endowment net assets for the years ended December 31, 2017 and 2016, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, at December 31, 2015	\$ 1,801,157	\$ 662,802	\$ 2,314,788	\$ 4,778,747
Net investment income	282,077	43,302	-	325,379
Contributions	52,236	-	82,833	135,069
Appropriation of endowment assets for general support	(120,906)	-	-	(120,906)
Transfer	<u>(16,934)</u>	<u>16,934</u>	<u>-</u>	<u>-</u>
Endowment net assets at December 31, 2016	1,997,630	723,038	2,397,621	5,118,289
Net investment income	548,850	86,185	-	635,035
Appropriation of endowment assets for general support	(137,353)	-	-	(137,353)
Transfer	<u>(18,299)</u>	<u>18,299</u>	<u>-</u>	<u>-</u>
<b>ENDOWMENT NET ASSETS AT DECEMBER 31, 2017</b>	<b><u>\$ 2,390,828</u></b>	<b><u>\$ 827,522</u></b>	<b><u>\$ 2,397,621</u></b>	<b><u>\$ 5,615,971</u></b>

Funds with Deficiencies -

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the organization to retain as a fund of perpetual duration.

As of December 31, 2017 and 2016, the endowment funds did not have a deficiency related to the fair value of the endowment net assets.

Return Objectives and Risk Parameters -

ICFJ has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that ICFJ must hold in-perpetuity or for a donor-specified period(s) as well as Board designated funds.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to support ICFJ programs on a long-term basis, while achieving reasonable growth. ICFJ's invested funds are intended to achieve their objectives over market cycle time periods.

**THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017 AND 2016**

**14. ENDOWMENT (Continued)**

Return Objectives and Risk Parameters (continued) -

Returns will be monitored on a quarterly and annual basis by Staff with the expectation that the funds and individual managers will outperform the benchmarks over rolling three-year time periods. The benchmarks will be 1) Consumer Price Index plus 3%; 2) Three-month U.S. Treasury Bill Index plus 3.5%; and 3) An index comprised of a blend of indices whose mix approximates that of each fund's mix.

Strategies Employed for Achieving Objectives -

To satisfy its long-term rate-of-return objectives, ICFJ 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). ICFJ targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy -

ICFJ's spending policy establishes what is reasonable and prudent spending from ICFJ's endowment funds. During 2015, the Board resolved to use a four percent of a three-year rolling average of assets in the endowment (excluding endowments with spending policies restricted by donors). ICFJ will calculate the average assets in the endowment over the previous three years every September 30th, and earmark four percent for spending in the following year. The Finance and Audit Committee may determine that the spending percentage in any year should be reduced due to insufficient annual income. Annual income in excess of spending will be re-invested in the endowment assets.

ICFJ recognizes that from time to time annual investment returns may fall short of the spending policy in effect. Nonetheless, the Board recognizes the long-term nature of the endowment and the need for positive, real rates of return over market cycle (3 - 5) year time periods.

**15. GRANT FUNDS RESCINDED BY DONORS**

During the 2017 and 2016 fiscal years, several donors rescinded grant funds that had previously been committed to ICFJ due to project plan revisions and deteriorating political environments within certain countries. As a result, \$142,528 and \$224,524, respectively, of grant commitments previously recorded as temporarily restricted revenue have been written off in their respective years.

**16. SUBSEQUENT EVENTS**

In preparing these financial statements, ICFJ has evaluated events and transactions for potential recognition or disclosure through June 13, 2018, the date the financial statements were issued.



## **SUPPLEMENTAL INFORMATION**

## THE INTERNATIONAL CENTER FOR JOURNALISTS, INC.

SCHEDULE OF ENDOWMENT AND QUASI-ENDOWMENT INVESTMENT ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Contributions, Pledges and Other Additions Received as of December 31, 2017	Less: Pledges Receivable at December 31, 2017	Total Amount Invested at December 31, 2017	Cumulative Appreciation	Fair Value of Total Amount Invested at December 31, 2017
<b>Permanently Restricted Net Assets:</b>					
General Endowment Fund	\$ 916,383	\$ -	\$ 916,383	\$ 324,798	\$ 1,241,181
Founders' Fund	752,173	-	752,173	355,315	1,107,488
Kay Fanning Endowment Fund	141,500	-	141,500	55,052	196,552
Howard Endowment	587,565	-	587,565	72,807	660,372
	<u>2,397,621</u>	<u>-</u>	<u>2,397,621</u>	<u>807,972</u>	<u>3,205,593</u>
<b>Temporarily Restricted Net Assets:</b>					
Kay Fanning	90,347	-	90,347	-	90,347
Quasi-Endowment: Special Projects Fund	499,236	-	499,236	237,941	737,177
	<u>589,583</u>	<u>-</u>	<u>589,583</u>	<u>237,941</u>	<u>827,524</u>
<b>Unrestricted Board Designated Net Assets:</b>					
Kay Fanning Visitors' Fund	344,523	-	344,523	238,641	583,164
Winship Connection Fund	300,000	-	300,000	63,115	363,115
Ruth Ewing Fund	300,000	-	300,000	41,668	341,668
President's Fund	258,487	-	258,487	36,422	294,909
	<u>1,203,010</u>	<u>-</u>	<u>1,203,010</u>	<u>379,846</u>	<u>1,582,856</u>
<b>TOTALS</b>	<u><b>\$ 4,190,214</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 4,190,214</b></u>	<u><b>\$ 1,425,759</b></u>	<u><b>\$ 5,615,973</b></u>