

**Pro Publica, Inc.**

Financial Statements

December 31, 2020

## Independent Auditors' Report

### **Board of Directors Pro Publica, Inc.**

We have audited the accompanying financial statements of Pro Publica, Inc. (the "Organization") which comprise the statement of financial position as of December 31, 2020, 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.

### ***Auditors' 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 of 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 auditors' 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.

**Board of Directors**  
**Pro Publica, Inc.**  
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***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pro Publica, Inc. as of December 31, 2020, 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 the Organization's December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 14, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

June 18, 2021

**Pro Publica, Inc.**

Statement of Financial Position  
December 31, 2020  
(with comparative amounts at December 31, 2019)

	<u>2020</u>	<u>2019</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,343,390	\$ 7,419,727
Investments	28,649,443	25,578,860
Contributions receivable, net	15,350,410	16,985,216
Prepaid expenses and other assets	838,012	640,015
Property and equipment, net	<u>485,104</u>	<u>628,991</u>
	<u>\$ 58,666,359</u>	<u>\$51,252,809</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 462,210	\$ 254,144
Deferred rent	<u>421,316</u>	<u>494,345</u>
Total Liabilities	<u>883,526</u>	<u>748,489</u>
Net Assets		
Without donor restrictions	34,370,956	28,252,244
With donor restrictions	<u>23,411,877</u>	<u>22,252,076</u>
Total Net Assets	<u>57,782,833</u>	<u>50,504,320</u>
	<u>\$ 58,666,359</u>	<u>\$51,252,809</u>

See notes to financial statements

**Pro Publica, Inc.**

Statement of Activities  
 Year Ended December 31, 2020  
 (with summarized totals for the year ended December 31, 2019)

	Without Donor Restrictions	With Donor Restrictions	2020 Total	2019 Total
<b>SUPPORT AND REVENUE</b>				
Foundation grants	\$ 7,566,718	\$ 18,001,033	\$ 25,567,751	\$ 28,587,812
Individual contributions	10,696,655	552,418	11,249,073	8,778,939
Investment return	122,015	-	122,015	507,373
Program service fees	40,000	-	40,000	540,200
Other income	391,330	-	391,330	420,514
Net assets released from restrictions	17,393,650	(17,393,650)	-	-
Total Support and Revenue	<u>36,210,368</u>	<u>1,159,801</u>	<u>37,370,169</u>	<u>38,834,838</u>
<b>EXPENSES</b>				
Program	25,750,624	-	25,750,624	24,100,081
Management and general	2,904,513	-	2,904,513	2,846,404
Fundraising	1,436,519	-	1,436,519	1,278,878
Total Expenses	<u>30,091,656</u>	<u>-</u>	<u>30,091,656</u>	<u>28,225,363</u>
Change in Net Assets	6,118,712	1,159,801	7,278,513	10,609,475
<b>NET ASSETS</b>				
Beginning of year	<u>28,252,244</u>	<u>22,252,076</u>	<u>50,504,320</u>	<u>39,894,845</u>
End of year	<u>\$ 34,370,956</u>	<u>\$ 23,411,877</u>	<u>\$ 57,782,833</u>	<u>\$ 50,504,320</u>

See notes to financial statements

## Pro Publica, Inc.

### Statement of Functional Expenses Year Ended December 31, 2020 (with summarized totals for the year ended December 31, 2019)

	Program	Management and General	Fundraising	2020 Total	2019 Total
Staffing	\$ 19,624,195	\$ 2,375,944	\$ 874,008	\$ 22,874,147	\$ 20,702,693
Professional development	72,427	34,111	631	107,169	83,746
Occupancy	1,093,454	122,756	60,394	1,276,604	1,360,585
Insurance	306,367	64,226	18,039	388,632	267,062
Freelance and consulting fees	676,285	8,878	16,273	701,436	575,261
Accounting fees	-	63,650	-	63,650	69,502
Legal fees, net of reimbursement	48,614	9,961	15,390	73,965	(121,041)
Recruitment	25,981	852	606	27,439	62,249
Travel	376,594	7,375	3,827	387,796	1,003,661
Website development and design	477,803	56,212	28,106	562,121	708,225
Video/social media	159,689	18,787	9,393	187,869	98,286
Advertising	-	36,408	-	36,408	51,762
Software and tech support	253,370	23,960	77,802	355,132	371,649
New product development	27,466	3,052	-	30,518	42,902
Public records copies and subscriptions	339,338	-	-	339,338	255,788
Telecommunications	215,989	18,283	8,736	243,008	239,467
Repairs and maintenance	47,225	4,747	2,296	54,268	59,793
Printing and postage	11,703	775	104,976	117,454	88,729
Meeting expense	16,172	450	1,436	18,058	131,708
Supplies	22,300	2,232	355	24,887	62,687
Equipment lease	11,558	1,360	2,321	15,239	17,527
Regrants/partner payments	1,663,078	-	-	1,663,078	1,597,052
Depreciation	280,164	32,960	16,480	329,604	298,106
Unrelated business income tax expense	-	6,900	-	6,900	21,178
Credit card and bank fees	852	10,634	195,450	206,936	176,786
	<u>\$ 25,750,624</u>	<u>\$ 2,904,513</u>	<u>\$ 1,436,519</u>	<u>\$ 30,091,656</u>	<u>\$ 28,225,363</u>

See notes to financial statements

**Pro Publica, Inc.**

Statement of Cash Flows  
Year Ended December 31, 2020  
(with comparative amounts for the year ended December 31, 2019)

	2020	2019
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 7,278,513	\$ 10,609,475
Adjustments to reconcile change in net assets to net cash from operating activities		
Change in present value discount	(125,753)	(66,472)
Depreciation	329,604	298,106
Loss on disposal of assets	1,892	-
Deferred rent	(73,029)	59,562
Donated stock	(306,075)	(203,384)
Realized and unrealized loss on investments	24,189	7,848
Changes in operating assets and liabilities		
Contributions receivable	1,760,559	(3,876,650)
Prepaid expenses and other assets	(197,997)	(109,836)
Accounts payable and accrued expenses	<u>208,066</u>	<u>(405,167)</u>
Net Cash from Operating Activities	<u>8,899,969</u>	<u>6,313,482</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	(187,609)	(187,834)
Purchase of investments	(30,708,864)	(6,428,758)
Proceeds from sale of investments	<u>27,920,167</u>	<u>213,835</u>
Net Cash from Investing Activities	<u>(2,976,306)</u>	<u>(6,402,757)</u>
Net Change in Cash and Cash Equivalents	5,923,663	(89,275)
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>7,419,727</u>	<u>7,509,002</u>
End of year	<u>\$13,343,390</u>	<u>\$ 7,419,727</u>
 <b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Unrelated business income taxes paid	\$ 6,900	\$ 21,178

See notes to financial statements

## **Pro Publica, Inc.**

Notes to Financial Statements  
December 31, 2020

### **1. Organization**

Pro Publica, Inc. (the “Organization”) is an independent newsroom that produces investigative journalism in the public interest. The Organization’s work focuses exclusively on truly important stories, stories with “moral force.” The Organization does this by producing journalism that shines a light on exploitation of the weak by the strong and on the failures of those with power to vindicate the trust placed in them.

The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code, and has been classified as an organization that is not a private foundation.

### **2. Summary of Significant Accounting Policies**

#### ***Basis of Presentation and Use of Estimates***

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### ***Cash and Cash Equivalents***

For the purpose of the statement of cash flows, the Organization considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

#### ***Fair Value Measurements***

The Organization follows US GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

#### ***Investments and Investment Income Recognition***

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest and dividends are recorded when earned.



## **Pro Publica, Inc.**

Notes to Financial Statements  
December 31, 2020

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Property and Equipment***

Property and equipment are stated at cost and depreciated on the straight-line basis over the estimated useful lives of the assets ranging between 3 to 7 years. Leasehold improvements are depreciated over the lesser of the life of the asset or the term of the lease using the straight-line method. The Organization capitalizes all expenditures of property and equipment in excess of \$1,000.

#### ***Net Asset Presentation***

Net assets without donor restrictions include funds having no restriction as to use or purpose imposed by donors. Net assets with donor restrictions are those whose use is limited by donors to a specific time period or purpose or limited by donors for investment in perpetuity. There were no net assets limited by donors for investment in perpetuity as of December 31, 2020 and 2019.

#### ***Contributions and Grants***

Contributions and grants are recorded when unconditional promises to give are made. Nonmonetary contributions (stocks, bonds, etc.) are recorded at estimated fair value at date of receipt. All contributions are available for general use unless specifically restricted by the donor. Conditional contributions are recognized when the conditions on which they depend are substantially met. Unconditional contributions due in the next year are recorded at their full amount. Unconditional contributions due in subsequent years are reported at the present value of their net realizable value, using risk-adjusted rates applicable to the years in which the promises are received. The change in the present value discount from year to year is reported as contribution revenue in the statement of activities.

#### ***Other Income***

Other income consists of royalties and licenses and honorariums and prizes among others and are recorded when earned.

#### ***Advertising Costs***

The Organization expenses the costs of advertising as incurred.

#### ***Deferred Rent***

The Organization has entered into operating lease agreements, which contain provisions for future rent increases. The total amount of rental payments due over the lease terms is being charged to rent expense on the straight-line method over the term of the leases. The difference between rent expense recorded and the amount paid is reflected as deferred rent, in the accompanying statement of financial position.

## **Pro Publica, Inc.**

Notes to Financial Statements  
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### **2. Summary of Significant Accounting Policies (continued)**

#### ***Functional Allocation of Expenses***

The costs of providing the various programs and supporting services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function, specifically program services which consist of investigative journalism projects. Certain expenses are attributable to more than one program or supporting function and have been allocated among program, management and general and fundraising. These expenses include staffing, occupancy, insurance, software and tech support, website development and design among others, which are allocated based on estimates of time and effort.

#### ***Accounting for Uncertainty in Income Taxes***

The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Organization had no uncertain tax positions that would require financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2017.

#### ***Prior Year Summarized Information***

The financial statements include certain prior year summarized comparative information in total only, which does not include sufficient detail to constitute a presentation in conformity with US GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for 2019, from which the summarized information was derived.

#### ***Reclassifications***

Certain amounts in the 2019 financial statements have been reclassified to conform to the 2020 presentation. The change in net assets is unchanged due to these reclassifications.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is June 18, 2021.

## Pro Publica, Inc.

### Notes to Financial Statements December 31, 2020

#### 3. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to significant concentrations of credit risk consist principally of cash and cash equivalents, investments and contributions receivable. The Organization maintains its cash accounts with major financial institutions which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts and believes its cash balances are not exposed to any significant risk. Investments primarily consist of temporary cash investments and is overseen by the board. Contributions receivable are from limited sources, subjecting the Organization to a concentration of credit risk.

#### 4. Contributions Receivable

Unconditional pledges are included in the financial statements as contributions receivable and revenue, discounted to the present value of expected future cash flows. Contributions to be received after one year are discounted using an appropriate interest rate (commensurate with the risk involved) between approximately .15% and 5%. Management considers all amounts to be fully collectible and based on the Organization's strong collection experience, no allowance for doubtful accounts has been provided.

Management expects contributions receivable to be realized in the following periods at December 31:

	<u>2020</u>	<u>2019</u>
Due within one year	\$ 9,327,471	\$ 10,640,363
Due within two to four years	6,091,333	6,539,000
Discount to present value	(68,394)	(194,147)
	<u>\$ 15,350,410</u>	<u>\$ 16,985,216</u>

#### 5. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31:

<u>Description</u>	<u>2020</u>	<u>2019</u>
Equity securities	\$ 14,866	\$ 15,200
Money market mutual fund	-	25,084,594
Total Investments at Fair Value	14,866	25,099,794
Temporary cash investments, at cost	28,634,577	479,066
Total Investments	<u>\$ 28,649,443</u>	<u>\$ 25,578,860</u>

As of December 31, 2020 and 2019 all of the Organization's investments at fair value were level 1 investments.

**Pro Publica, Inc.**

Notes to Financial Statements  
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**6. Property and Equipment**

Property and equipment consist of the following at December 31:

	2020	2019
Office furniture and fixtures	\$ 237,126	\$ 249,841
Website	88,673	197,972
Computers	783,726	756,155
Leasehold improvements	266,318	266,318
	1,375,843	1,470,286
Accumulated depreciation	(890,739)	(841,295)
	\$ 485,104	\$ 628,991

**7. Contingent Liabilities**

The Organization may be party to certain claims and assessments arising in the normal course of business. Management does not expect the ultimate resolution of these actions, if any, to have a material adverse effect on the Organization's financial position.

**8. Net Assets with Donor Restrictions**

Changes in net assets with donor restrictions are as follows for the years ended December 31:

Purpose/Restriction	2020			
	Beginning Balance	Contributions Received	Assets Released	Ending Balance
Internship program underwriting	\$ 131,485	\$ 358,000	\$ (369,650)	\$ 119,835
Healthcare projects	296,585	752,723	(728,764)	320,544
Climate change	1,288,228	250,000	(558,147)	980,081
News applications	23,416	-	(23,416)	-
Investigating New York's public institutions	80,789	400,000	(80,789)	400,000
Immigration	-	90,000	-	90,000
COVID-19 Pandemic	-	1,061,475	(68,973)	992,502
American Politics "What Went Wrong"	1,157,561	230,912	(1,388,473)	-
Improving transparency of K-12 education	72,942	-	(72,942)	-
Diversity initiatives	54,037	363,138	(97,403)	319,772
Video journalism	25,275	-	(25,275)	-
Institutional strengthening/expansion	10,359,761	9,503,703	(8,686,892)	11,176,572
Timing	8,761,997	5,543,500	(5,292,926)	9,012,571
	\$ 22,252,076	\$ 18,553,451	\$ (17,393,650)	\$ 23,411,877

**Pro Publica, Inc.**

Notes to Financial Statements  
December 31, 2020

**8. Net Assets with Donor Restrictions (continued)**

Purpose/Restriction	2019			
	Beginning Balance	Contributions Received	Assets Released	Ending Balance
Internship program underwriting	\$ 191,209	\$ 238,000	\$ (297,724)	\$ 131,485
Healthcare projects	218,081	755,198	(676,694)	296,585
Climate change	1,025,857	615,000	(352,629)	1,288,228
News applications	49,416	50,000	(76,000)	23,416
Investigating New York's public institutions	224,657	50,000	(193,868)	80,789
Immigration	62,676	-	(62,676)	-
American Politics "What Went Wrong"	159,295	1,264,556	(266,290)	1,157,561
Improving transparency of K-12 education	174,107	-	(101,165)	72,942
Diversity initiatives	145,000	-	(90,963)	54,037
Video journalism	154,279	-	(129,004)	25,275
Institutional strengthening/expansion	7,086,581	9,829,757	(6,556,577)	10,359,761
Timing	9,271,184	5,935,000	(6,444,187)	8,761,997
	<u>\$ 18,762,342</u>	<u>\$ 18,737,511</u>	<u>\$ (15,247,777)</u>	<u>\$ 22,252,076</u>

**9. Concentration of Revenue and Contributions Receivable**

Funding from a single donor amounted to 15% and 13% of total support and revenue in 2020 and 2019. Funding from three donors amounted to 51% of total contributions receivable at December 31, 2020 and funding from two donors amounted to 42% of total contributions receivable at December 31, 2019.

**10. Commitments**

The Organization signed a lease for a new office space in New York City that commenced in January 2015 and expires in January 2025. Under the terms of this lease, the Organization provided an irrevocable letter of credit with a bank of \$882,540 as a security deposit which is renewed annually for this lease agreement and is included in cash and cash equivalents on the statement of financial position. The Organization leases space an office in Washington, DC that expired in April 2021, an office in Chicago that expires in December 2021, and an office in California that was renewed in December 2020 that expires in December 2023. Rent expense for all office space for 2020 and 2019 was \$1,276,604 and \$1,360,585. The Organization also has smaller leases from time to time for office equipment. Expenses for the leased office equipment for the years ended December 31, 2020 and 2019 amounted to \$15,239 and \$17,527.

Future minimum annual lease payments are as follows:

2021	\$ 1,315,761
2022	1,169,168
2023	1,192,994
2024	1,191,478
2025	55,722
	<u>\$ 4,925,123</u>

**Pro Publica, Inc.**

Notes to Financial Statements  
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**11. Retirement Plan**

The Organization has a 403(b) plan covering all eligible employees in which the Organization matches 100% of all contributions up to 5% of the employees' annual salaries subject to a maximum of \$13,750. The Organization's contributions amounted to \$770,650 and \$669,960 for 2020 and 2019.

**12. Unrelated Business Income Tax**

The Organization is subject to tax on its unrelated business income which is earned through advertising in its newsletter and website. These taxes amounted to \$6,900 and \$21,178 in 2020 and 2019.

**13. Liquidity and Availability of Financial Assets**

The Organization's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the statement of financial position were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets:		
Cash and cash equivalents	\$ 13,343,390	\$ 7,419,727
Investments	28,649,443	25,578,860
Contributions receivable	<u>15,350,410</u>	<u>16,985,216</u>
Total financial assets	<u>57,343,243</u>	<u>49,983,803</u>
Less: Contractual or donor imposed restrictions amounts		
Letter of credit collateral	882,540	882,540
Contributions receivable - Due in future years	6,022,939	6,344,853
Restricted by donor with time or purpose restrictions	<u>17,388,938</u>	<u>15,907,223</u>
	<u>24,294,417</u>	<u>23,134,616</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 33,048,826</u>	<u>\$ 26,849,187</u>

As part of the Organization's liquidity management strategy, the Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The Organization's working capital and cash flows have cyclical variations during the year attributable to the cash receipts of contributions from donors. Contributions receivable are subject to implied time restrictions and are expected to be collected over the next several years. A majority of general expenditures over the next twelve months are financed through cash and investments.

**Pro Publica, Inc.**

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**14. COVID-19**

The coronavirus outbreak may have a potentially adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the coronavirus and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition.

The COVID-19 pandemic has resulted in substantial volatility in the global financial markets. Due to the Organization's stable investments, the decline in fair value is expected to be limited.

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