

SOCIETY OF ENVIRONMENTAL
JOURNALISTS, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

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O'CONNELL & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 16, 2015

To the Board of Directors
Society of Environmental Journalists, Inc.
Philadelphia, Pennsylvania

We have audited the accompanying financial statements of Society of Environmental Journalists, Inc. which comprise the statements of financial position as of December 31, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 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 positions of Society of Environmental Journalists, Inc. as of December 31, 2014 and 2013, 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.



SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2014 AND 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 743,299	\$ 516,197
Certificates of deposit	170,451	20,136
Investments	365,872	355,799
Grants receivable	-	125,000
Prepaid expenses	3,424	5,475
Website - net	-	5,000
Security deposits	10,005	10,005
Fixed Assets, net	<u>2,034</u>	<u>2,705</u>
TOTAL ASSETS	<u><u>\$1,295,085</u></u>	<u><u>\$1,040,317</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 19,349	\$ 26,873
Prepaid dues	<u>8,329</u>	<u>7,384</u>
Total Liabilities	<u>27,678</u>	<u>34,257</u>
Net Assets		
Unrestricted	321,621	251,291
Temporarily restricted	676,634	485,027
Permanently restricted	<u>269,152</u>	<u>269,742</u>
Total Net Assets	<u>1,267,407</u>	<u>1,006,060</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,295,085</u></u>	<u><u>\$1,040,317</u></u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014				2013			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Grants and contributions	\$ 146,016	\$ 591,411	\$ 4,051	\$ 741,478	\$ 146,353	\$ 357,900	\$ 2,255	\$ 506,508
Conference support and revenues	316,188	-	-	316,188	310,594	-	-	310,594
Membership fees	50,598	-	-	50,598	47,550	-	-	47,550
Mailing list rentals	13,762	-	-	13,762	15,900	-	-	15,900
Subscription sales	8,085	-	-	8,085	5,096	-	-	5,096
Investment income	5,142	252	7,958	13,352	17,400	527	36,026	53,953
Awards Revenue	19,875	-	-	19,875	-	-	-	-
Miscellaneous income	4,757	-	-	4,757	4,028	-	-	4,028
Endowment transfer	12,599	-	(12,599)	-	12,081	-	(12,081)	-
Satisfaction of program restrictions	330,000	(330,000)	-	-	154,778	(154,778)	-	-
Satisfaction of time restrictions	70,056	(70,056)	-	-	28,500	(28,500)	-	-
TOTAL SUPPORT AND REVENUE	<u>977,078</u>	<u>191,607</u>	<u>(590)</u>	<u>1,168,095</u>	<u>742,280</u>	<u>175,149</u>	<u>26,200</u>	<u>943,629</u>
EXPENSES								
Program services	761,201	-	-	761,201	691,356	-	-	691,356
Supporting services								
General and administrative	91,376	-	-	91,376	87,399	-	-	87,399
Fundraising	54,171	-	-	54,171	63,376	-	-	63,376
TOTAL EXPENSES	<u>906,748</u>	<u>-</u>	<u>-</u>	<u>906,748</u>	<u>842,131</u>	<u>-</u>	<u>-</u>	<u>842,131</u>
INCREASE (DECREASE) IN NET ASSETS	70,330	191,607	(590)	261,347	(99,851)	175,149	26,200	101,498
NET ASSETS - Beginning of Year	<u>251,291</u>	<u>485,027</u>	<u>269,742</u>	<u>1,006,060</u>	<u>351,142</u>	<u>309,878</u>	<u>243,542</u>	<u>904,562</u>
NET ASSETS - End of Year	<u>\$ 321,621</u>	<u>\$ 676,634</u>	<u>\$ 269,152</u>	<u>\$1,267,407</u>	<u>\$ 251,291</u>	<u>\$ 485,027</u>	<u>\$ 269,742</u>	<u>\$1,006,060</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014

	Program Services				Supporting Services			2013	
	Conference	Regional/ Fellowship/ Diversity/ and Awards	Membership and Database	Publications	Total Program Services	General and Administrative	Fundraising		Total
Personnel Expenses									
Payroll	\$ 37,283	\$ 20,275	\$ 22,541	\$ 15,379	\$ 95,478	\$ 29,339	\$ 37,953	\$ 162,770	\$ 160,208
Payroll taxes	3,101	1,687	1,875	1,279	7,942	2,441	3,157	13,540	13,347
Employee benefits	6,830	3,714	4,129	2,817	17,490	5,375	6,953	29,818	39,247
Pension	856	466	518	353	2,193	674	872	3,739	3,719
Total Personnel Expenses	48,070	26,142	29,063	19,828	123,103	37,829	48,935	209,867	216,521
Amortization Expense	-	-	-	-	-	5,000	-	5,000	15,000
Awards	-	30,684	-	-	30,684	-	-	30,684	35,732
Bank and credit card fees	-	-	-	-	-	17,115	-	17,115	10,972
Consultants	121,317	10,367	7,000	54,239	192,923	-	-	192,923	180,908
Depreciation	-	-	-	-	-	1,758	-	1,758	1,813
Facilities, catering, and audio visual services	154,398	-	-	-	154,398	-	-	154,398	76,540
Freedom of information initiatives	-	-	-	28,755	28,755	-	-	28,755	28,755
Insurance	1,472	768	896	576	3,712	263	392	4,367	4,331
Marketing and advertising	329	-	-	-	329	9,184	-	9,513	15,421
Membership mailing list	-	-	3,527	-	3,527	-	-	3,527	750
Office supplies	2,413	1,259	1,469	944	6,085	11,008	643	17,736	8,323
Postage, shipping and copying	1,208	708	735	2,032	4,683	216	-	4,899	3,914
Printing and other expenses	25,360	-	-	12,122	37,482	-	-	37,482	21,705
Regional conference	-	-	-	-	-	-	-	-	47,326
Registration services	9,011	-	-	-	9,011	-	-	9,011	18,624
Rent and utilities	11,229	5,858	6,835	4,394	28,316	2,004	2,993	33,313	32,216
Telephone and online fees	11,155	620	724	904	13,403	212	317	13,932	9,741
Transportation and tour fees	14,362	-	-	-	14,362	-	-	14,362	13,452
Travel - Board meetings	3,344	21,344	2,035	1,308	28,031	596	891	29,518	12,542
Travel - Conferences	25,905	-	-	-	25,905	-	-	25,905	21,335
Website maintenance	-	-	-	56,492	56,492	6,191	-	62,683	66,210
	<u>\$ 429,573</u>	<u>\$ 97,750</u>	<u>\$ 52,284</u>	<u>\$ 181,594</u>	<u>\$ 761,201</u>	<u>\$ 91,376</u>	<u>\$ 54,171</u>	<u>\$ 906,748</u>	<u>\$ 842,131</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>				<u>Supporting Services</u>			
	<u>Conference</u>	<u>Regional/ Fellowship/ Diversity/ and Awards</u>	<u>Membership and Database</u>	<u>Publications</u>	<u>Total Program Services</u>	<u>General and Administrative</u>	<u>Fundraising</u>	
Personnel Expenses								
Payroll	\$ 33,681	\$ 22,279	\$ 19,685	\$ 13,927	\$ 89,572	\$ 28,330	\$ 42,306	\$ 160,208
Payroll taxes	2,806	1,856	1,640	1,160	7,462	2,360	3,525	13,347
Employee benefits	9,225	5,615	5,872	3,690	24,402	3,609	11,236	39,247
Pension	874	532	556	350	2,312	342	1,065	3,719
Total Personnel Expenses	46,586	30,282	27,753	19,127	123,748	34,641	58,132	216,521
Amortization Expense	-	-	-	-	-	15,000	-	15,000
Awards	-	35,732	-	-	35,732	-	-	35,732
Bank and credit card fees	-	-	-	-	-	10,972	-	10,972
Consultants	104,582	8,511	9,125	58,690	180,908	-	-	180,908
Depreciation	-	-	-	-	-	1,813	-	1,813
Facilities, catering, and audio visual services	76,540	-	-	-	76,540	-	-	76,540
Freedom of information initiatives	-	-	-	28,755	28,755	-	-	28,755
Insurance	1,384	916	809	572	3,681	261	389	4,331
Marketing and advertising	8,694	-	-	-	8,694	6,727	-	15,421
Membership mailing list	-	-	750	-	750	-	-	750
Office supplies	2,838	1,487	1,313	929	6,567	1,125	631	8,323
Postage, shipping and copying	907	692	531	1,613	3,743	171	-	3,914
Printing and other expenses	2,799	-	-	18,906	21,705	-	-	21,705
Regional conference	-	47,326	-	-	47,326	-	-	47,326
Registration services	18,624	-	-	-	18,624	-	-	18,624
Rent and utilities	10,295	6,813	6,019	4,256	27,383	1,938	2,895	32,216
Telephone and online fees	7,593	923	488	345	9,349	157	235	9,741
Transportation and tour fees	13,452	-	-	-	13,452	-	-	13,452
Travel - Board meetings	3,891	2,941	2,275	1,609	10,716	732	1,094	12,542
Travel - Conferences	21,335	-	-	-	21,335	-	-	21,335
Website maintenance	13,500	2,700	-	36,148	52,348	13,862	-	66,210
	<u>\$ 333,020</u>	<u>\$ 138,323</u>	<u>\$ 49,063</u>	<u>\$ 170,950</u>	<u>\$ 691,356</u>	<u>\$ 87,399</u>	<u>\$ 63,376</u>	<u>\$ 842,131</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2014 AND 2013

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2014</u>	<u>2013</u>
Increase in net assets	\$ 261,347	\$ 101,498
Adjustment to reconcile change in net assets to net cash provided by operations		
Depreciation and amortization	6,758	16,813
Unrealized loss (gain) on investments	5,054	(46,892)
Realized (gain) loss from sale of investments	(500)	932
Permanently restricted contributions	(4,051)	(2,255)
Changes in operating assets and liabilities		
Decrease (Increase)		
Grants receivable	125,000	25,000
Other receivables	-	15,590
Investment income receivable	-	220
Prepaid expenses	2,051	(5,000)
Increase (Decrease)		
Accounts payable and accrued expenses	(7,524)	(18,350)
Deferred revenue	945	275
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>389,080</u>	<u>87,831</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) Decrease in certificates of deposits	(150,315)	9,464
Purchase of fixed assets	(1,087)	(1,670)
Purchase of investments	(37,221)	(701,215)
Proceeds from sale of investments	22,594	732,776
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(166,029)</u>	<u>39,355</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES		
Permanently restricted contributions	<u>4,051</u>	<u>2,255</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	227,102	129,441
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>516,197</u>	<u>386,756</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 743,299</u>	<u>\$ 516,197</u>
SUPPLEMENTAL INFORMATION		
Interest Paid	<u>\$ -</u>	<u>\$ -</u>
Interest Capitalized	<u>\$ -</u>	<u>\$ -</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

Organization and Nature of Activities

The Society of Environmental Journalists, Inc.'s (the Organization) is a not-for-profit organization, incorporated in Washington D.C. The Organization's mission is to advance public understanding of environmental issues by improving the quality, accuracy and visibility of environmental news reporting. The Organization's programs include annual conference, a comprehensive website, print and electronic publications, regional events, diversity program, and environmental journalism awards. The purpose of the Organization is to build a stronger, better educated, and more closely connected network of journalists and editors in all media who cover environment related issues, and through that network, to improve and increase news coverage of critically important environmental issues through programs and services designed by and for journalists. The Organization is independent and nonpartisan. The Organization's revenues come primarily through grants and its annual conference.

The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; accordingly, there is no income tax applicable to its activities.

1 Summary of Significant Accounting Policies

The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Accrual Basis -- The financial statements of the Organization have been prepared on the accrual basis.

Cash and Cash Equivalents -- The Organization considers cash and highly liquid investments that are both readily convertible to known amounts of cash and of an original maturity of three months or less to be cash and cash equivalents.

Investments -- Investments are reported in the financial statements at fair value.

Grants Receivable -- The Organization considers all grants receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

In Kind Donations -- The Organization's policy is to record in kind donations at their fair value.

Contributions -- The Organization records contributions of cash and other assets when an unconditional promise to give such assets is received from a donor. Contributions are recorded at the fair market value of the assets received and are classified as either permanently restricted, temporarily restricted or unrestricted, depending on whether the donor has imposed a restriction on the use of such assets.

Advertising -- The Organization follows the policy of charging the costs of advertising to expense as incurred.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

1 Summary of Significant Accounting Policies (Continued)

Fixed Assets -- Fixed assets are recorded at cost. Furniture and equipment, with a unit cost of \$500 or more, are capitalized. These assets are reported net of accumulated depreciation. Depreciation is calculated on various methods over the various useful lives of the assets.

Permanently Restricted -- Permanently Restricted Funds represent gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity or for a specified period. The Organization has adopted a total return investment policy in accordance with D.C. law. The Board of the Directors of the Organization have elected to make 5% distributions from the permanently restricted fund for the years ended December 31, 2014 and 2013, respectively.

Board Designated Funds -- The Board of Trustees of the Organization have designated funds to function as endowments.

Temporarily Restricted -- Gifts are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets and the restrictions are not satisfied in the same reporting period in which the contributions are received. When the restrictions are satisfied in the same reporting period in which the contributions are received, the contributions and expenses are reflected as unrestricted.

Use of Estimates -- The preparation of financial statements in conformity with general accepted accounting 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value Measurements -- Fair value is defined as 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. This guidance establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three levels are defined as follows:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument. Alternative investments fair value are based on their net asset value per unit as reported by their managers.

Level 3 - Inputs to the valuation methodology are unobservable.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities that are measured at fair value are based on one or more of the three valuation techniques that follow:

Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Cost approach - Amount that would be required to replace the service capacity of an asset (i.e., replacement cost).

Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques and option-pricing models).

Income Taxes -- The Organization adopted the accounting standard related to the recognition and measurement of uncertain tax positions. The adoption of this standard had no financial statement effect for the Organization. The Organization is no longer subject to federal and state tax examinations for the years prior to 2011.

2 Concentration of Risk

The Organization had deposits and investments in major financial institutions which exceeded Federal Depository Insurance Corporation limits. These financial institutions have strong credit ratings and management believes that credit risk related to these deposits and investments is minimal.

3 Investments

Cash and certificates of deposits included in investment accounts are separately stated on the statement of financial position.

The following table sets forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2014 and 2013:

	<u>Investments at Fair Values as of December 31, 2014</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 272,767	\$ -	\$ -	\$ 272,767
Exchange Traded & Closed-End Funds	<u>93,105</u>	<u>-</u>	<u>-</u>	<u>93,105</u>
Total assets at fair value	<u>\$ 365,872</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 365,872</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

3 Investments (Continued)

	<u>Investments at Fair Values as of December 31, 2013</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Bond Mutual Funds	\$ 92,266	\$ -	\$ -	\$ 92,266
Equity Mutual Funds	262,913	-	-	262,913
Equities	<u>620</u>	<u>-</u>	<u>-</u>	<u>620</u>
Total assets at fair value	<u>\$ 355,799</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 355,799</u>

Investment income consists of the following:

	<u>2014</u>	<u>2013</u>
Interest and dividends	\$ 17,906	\$ 7,993
Unrealized (loss) gain on investments	(5,054)	46,892
Realized gain (loss) on investments	<u>500</u>	<u>(932)</u>
	<u>\$ 13,352</u>	<u>\$ 53,953</u>

Investments fees were reported separately on the Statement of Activities and totaled \$300 and \$790 and for the years ended December 31, 2014 and 2013, respectively.

4 Fixed Assets

Below is a summary of fixed assets as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Computer equipment	\$ 35,934	\$ 34,847
Office equipment	17,256	17,256
Furniture and fixtures	<u>45,185</u>	<u>45,185</u>
	98,375	97,288
Less accumulated depreciation	<u>(96,341)</u>	<u>(94,583)</u>
	<u>\$ 2,034</u>	<u>\$ 2,705</u>

Depreciation expense was \$1,758 and \$1,813 and for the years ended December 31, 2014 and 2013, respectively.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

5 Temporarily Restricted

Temporarily restricted net assets are available for the following purpose as of December 31, 2014 and 2013.

	<u>2014</u>	<u>2013</u>
Annual Conference	\$ 105,000	\$ 135,000
Working Capital Funds	100,779	100,527
Gulf Coast	-	75,000
Freedom of Information WatchDog	-	50,000
Fund for Environmental Journalism	401,911	37,500
General Operations	43,944	37,000
Marine Issues	-	25,000
Feasibility Study	25,000	25,000
	<u>\$ 676,634</u>	<u>\$ 485,027</u>

6 Satisfaction of Program Restriction

Temporarily restricted net assets were reduced by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors.

	<u>2014</u>	<u>2013</u>
Program Restriction Accomplished		
Freedom of Information WatchDog	\$ 50,000	\$ 50,000
IJNR Collaboration	-	50,000
Annual Conference	230,000	17,900
Diversity program	25,000	14,378
Fund for Environmental Journalism	25,000	12,500
Health Issues	-	10,000
	<u>\$ 330,000</u>	<u>\$ 154,778</u>
Time Restriction Accomplished		
General operations	<u>\$ 70,056</u>	<u>\$ 28,500</u>

7 Endowment and Board Designated Funds

The Organization's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments (board designated funds). As required by accounting standards generally accepted in the United States of America, net assets associated with endowments funds, including board designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2014 AND 2013

7 Endowment and Board Designated Funds (Continued)

The Board of Directors of the Organization has interpreted Washington D.C. law as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent of explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) enhancements or diminishments of the fund from investment income, loss, and spending allowance.

The Organization's endowment and board designated net assets had the following activity for the years ended December 31, 2014 and 2013:

	2014		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,500	\$ 269,742	\$ 311,242
Investment income	1,712	7,958	9,670
Contributions to endowment fund	-	4,051	4,051
Spending allowance	(1,712)	(12,599)	(14,311)
Changes in net assets	-	(590)	(590)
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 269,152</u>	<u>\$ 310,652</u>
	2013		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,500	\$ 243,542	\$ 285,042
Investment income	1,685	36,026	37,711
Contributions to endowment fund	-	2,255	2,255
Spending allowance	(1,685)	(12,081)	(13,766)
Changes in net assets	-	26,200	26,200
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 269,742</u>	<u>\$ 311,242</u>

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity.

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YEARS ENDED DECEMBER 31, 2014 AND 2013

7 Endowment and Board Designated Funds (Continued)

Strategies Employed for Achieving Objectives

The overall financial goal of the endowment is to maintain or enhance its market value while providing the Organization's operating budget with a relatively predictable and growing stream of revenue. The Organization expects the current spending policy to allow its endowment to grow at an average of 4% annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

The rationale is to obtain the best possible expected return, given the level of risk assumed. The investment policies of the Organization will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, manager judgment regarding the allocation of the assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of appropriating for distribution each year a percentage of its endowment fund's fair value based upon the prior three fiscal years market values of the permanently restricted net assets.

Expenditures from the board designated net assets are released as approved by the Organization's Board of Directors. The earnings on the permanently restricted net assets are released from restricted funds and are used in accordance with donor stipulations as per donor agreements.

8 Operating Leases

The Organization entered into various non-cancelable leases for office and storage space and office equipment. The leases qualify as operating leases and payments are charged to expense as they are incurred. Lease expense was \$30,847 and \$32,269 for the years ended December 31, 2014 and 2013, respectively.

Future minimum lease payments under existing leases are as follows:

	<u>Equipment</u>	<u>Office Space</u>
2015	\$ 1,212	\$ 34,485
2016	808	30,393
2017	-	18,038
	<u>\$ 2,020</u>	<u>\$ 64,878</u>

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9 Pension Plan

The Organization implemented a Simple IRA plan during the year ended December 31, 2010. All full-time employees with at least one year of service are eligible to participate. The Organization contributes 3% of eligible employees' gross salaries to the plan. Contributions to the plans were \$3,739 and \$3,719 for the years ended December 31, 2014 and 2013, respectively.

10 Compensated Absences

Employees of the Organization are entitled to paid time off depending on length of services and other factors. It is impractical to estimate the amount of compensation for future absences and, accordingly, no liability has been recorded in the accompanying financial statements. The Organization's policy is to recognize the cost of compensated absences when paid to employees.

11 Commitment

The Organization has committed to filling a number of rooms and to minimum banquet food and beverage revenues at future annual conferences in 2015 and 2016. Rooms and banquet food and beverages are paid for by conference attendees, and the Organization is only committed to pay for rooms not filled and minimum banquet food and beverage revenue not met. Management anticipates all rooms will be filled and banquet food and beverage minimums will be met by conference attendees.

12 Reclassification

Certain prior year amounts have been reclassified to conform with this year's presentation.

13 Subsequent Event

The Organization has evaluated all subsequent events through July 16, 2015, the date the financial statements were available to be issued.