

SOCIETY OF ENVIRONMENTAL
JOURNALISTS, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

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O'CONNELL & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

July 20, 2016

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, 2015 and 2014, 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 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 positions of Society of Environmental Journalists, Inc. as of December 31, 2015 and 2014, 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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 381,879	\$ 743,299
Certificates of deposit	309,896	170,451
Investments	289,518	365,872
Other receivables	500	-
Prepaid expenses	5,475	3,424
Security deposits	10,005	10,005
Fixed Assets, net	<u>3,118</u>	<u>2,034</u>
TOTAL ASSETS	<u>\$1,000,391</u>	<u>\$1,295,085</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 39,949	\$ 19,349
Prepaid dues	<u>6,592</u>	<u>8,329</u>
Total Liabilities	<u>46,541</u>	<u>27,678</u>
Net Assets		
Unrestricted	344,000	321,621
Temporarily restricted	357,081	676,634
Permanently restricted	<u>252,769</u>	<u>269,152</u>
Total Net Assets	<u>953,850</u>	<u>1,267,407</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,000,391</u>	<u>\$1,295,085</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2015 AND 2014

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Grants and contributions	\$ 93,215	\$ 303,063	\$ 1,850	\$ 398,128	\$ 146,016	\$ 591,411	\$ 4,051	\$ 741,478
Conference support and revenues	351,543	-	-	351,543	316,188	-	-	316,188
Membership fees	49,830	-	-	49,830	50,598	-	-	50,598
Mailing list rentals	12,038	-	-	12,038	13,762	-	-	13,762
Subscription sales	4,771	-	-	4,771	8,085	-	-	8,085
Investment (loss) income	(1,775)	255	(5,192)	(6,712)	5,142	252	7,958	13,352
Awards revenue	17,804	-	-	17,804	19,875	-	-	19,875
Miscellaneous income	10,138	-	-	10,138	4,757	-	-	4,757
Endowment transfer	13,041	-	(13,041)	-	12,599	-	(12,599)	-
Satisfaction of program restrictions	571,427	(571,427)	-	-	330,000	(330,000)	-	-
Satisfaction of time restrictions	51,444	(51,444)	-	-	70,056	(70,056)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,173,476</u>	<u>(319,553)</u>	<u>(16,383)</u>	<u>837,540</u>	<u>977,078</u>	<u>191,607</u>	<u>(590)</u>	<u>1,168,095</u>
EXPENSES								
Program services	1,009,860	-	-	1,009,860	761,201	-	-	761,201
Supporting services								
General and administrative	88,220	-	-	88,220	91,376	-	-	91,376
Fundraising	53,017	-	-	53,017	54,171	-	-	54,171
TOTAL EXPENSES	<u>1,151,097</u>	<u>-</u>	<u>-</u>	<u>1,151,097</u>	<u>906,748</u>	<u>-</u>	<u>-</u>	<u>906,748</u>
INCREASE (DECREASE) IN NET ASSETS	22,379	(319,553)	(16,383)	(313,557)	70,330	191,607	(590)	261,347
NET ASSETS - Beginning 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>
NET ASSETS - End of Year	<u>\$ 344,000</u>	<u>\$ 357,081</u>	<u>\$ 252,769</u>	<u>\$ 953,850</u>	<u>\$ 321,621</u>	<u>\$ 676,634</u>	<u>\$ 269,152</u>	<u>\$1,267,407</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, 2015

	Program Services				Supporting Services		Total	2014	
	Conference	Regional/ Fellowship/ Diversity/ and Awards	Membership and Database	Publications	Total Program Services	General and Administrative			Fundraising
Personnel Expenses									
Payroll	\$ 49,348	\$ 28,337	\$ 46,679	\$ 11,389	\$ 135,753	\$ 40,048	\$ 37,198	\$ 212,999	\$ 162,770
Payroll taxes	3,834	2,201	3,626	885	10,546	4,721	2,890	18,157	13,540
Employee benefits	9,407	5,402	8,898	2,171	25,878	7,634	7,091	40,603	29,818
Pension	658	378	623	152	1,811	534	496	2,841	3,739
Total Personnel Expenses	63,247	36,318	59,826	14,597	173,988	52,937	47,675	274,600	209,867
Amortization Expense	-	-	-	-	-	-	-	-	5,000
Awards	-	354,653	-	-	354,653	-	-	354,653	30,684
Bank and credit card fees	-	-	-	-	-	13,702	-	13,702	17,115
Board and staff development	122	70	115	28	335	31	29	395	-
Consultants	71,932	7,425	5,556	53,000	137,913	-	-	137,913	192,923
Depreciation	-	-	-	-	-	1,669	-	1,669	1,758
Facilities, catering, and audio visual services	96,240	-	-	-	96,240	-	-	96,240	154,398
Freedom of information initiatives	-	-	-	36,805	36,805	-	-	36,805	28,755
Insurance	1,355	778	1,281	313	3,727	341	317	4,385	4,367
Marketing and advertising	5,219	-	-	-	5,219	8,283	-	13,502	9,513
Membership mailing list	-	-	191	-	191	-	-	191	3,527
Office supplies	1,880	1,080	1,777	434	5,171	2,044	439	7,654	17,736
Postage, shipping and copying	824	473	779	1,813	3,889	207	193	4,289	4,899
Printing and other expenses	11,871	-	-	10,106	21,977	-	-	21,977	37,482
Regional conference	-	947	-	-	947	-	-	947	-
Registration services	9,385	-	-	-	9,385	-	-	9,385	9,011
Rent and utilities	10,612	6,096	10,035	2,450	29,193	2,671	2,481	34,345	33,313
Repairs and maintenance	119	68	112	27	326	30	28	384	-
Telephone and online fees	4,663	865	1,346	447	7,321	358	333	8,012	13,932
Transportation and tour fees	19,692	-	-	-	19,692	-	-	19,692	14,362
Travel - Board meetings	6,512	3,741	6,158	1,504	17,915	1,639	1,522	21,076	29,518
Travel - Conferences	30,598	-	-	-	30,598	-	-	30,598	25,905
Website maintenance	-	-	-	54,375	54,375	4,308	-	58,683	62,683
	<u>\$ 334,271</u>	<u>\$ 412,514</u>	<u>\$ 87,176</u>	<u>\$ 175,899</u>	<u>\$ 1,009,860</u>	<u>\$ 88,220</u>	<u>\$ 53,017</u>	<u>\$ 1,151,097</u>	<u>\$ 906,748</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		
	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
Payroll taxes	3,101	1,687	1,875	1,279	7,942	2,441	3,157	13,540
Employee benefits	6,830	3,714	4,129	2,817	17,490	5,375	6,953	29,818
Pension	856	466	518	353	2,193	674	872	3,739
Total Personnel Expenses	48,070	26,142	29,063	19,828	123,103	37,829	48,935	209,867
Amortization Expense	-	-	-	-	-	5,000	-	5,000
Awards	-	30,684	-	-	30,684	-	-	30,684
Bank and credit card fees	-	-	-	-	-	17,115	-	17,115
Consultants	121,317	10,367	7,000	54,239	192,923	-	-	192,923
Depreciation	-	-	-	-	-	1,758	-	1,758
Facilities, catering, and audio visual services	154,398	-	-	-	154,398	-	-	154,398
Freedom of information initiatives	-	-	-	28,755	28,755	-	-	28,755
Insurance	1,472	768	896	576	3,712	263	392	4,367
Marketing and advertising	329	-	-	-	329	9,184	-	9,513
Membership mailing list	-	-	3,527	-	3,527	-	-	3,527
Office supplies	2,413	1,259	1,469	944	6,085	11,008	643	17,736
Postage, shipping and copying	1,208	708	735	2,032	4,683	216	-	4,899
Printing and other expenses	25,360	-	-	12,122	37,482	-	-	37,482
Registration services	9,011	-	-	-	9,011	-	-	9,011
Rent and utilities	11,229	5,858	6,835	4,394	28,316	2,004	2,993	33,313
Telephone and online fees	11,155	620	724	904	13,403	212	317	13,932
Transportation and tour fees	14,362	-	-	-	14,362	-	-	14,362
Travel - Board meetings	3,344	21,344	2,035	1,308	28,031	596	891	29,518
Travel - Conferences	25,905	-	-	-	25,905	-	-	25,905
Website maintenance	-	-	-	56,492	56,492	6,191	-	62,683
	<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>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) Increase in net assets	\$(313,557)	\$261,347
Adjustment to reconcile change in net assets to net cash (used) provided by operations		
Depreciation and amortization	1,669	6,758
Unrealized loss on investments	23,855	5,054
Realized loss (gain) from sale of investments	3,364	(500)
Permanently restricted contributions	(1,850)	(4,051)
Changes in operating assets and liabilities		
Decrease (Increase)		
Grants receivable	-	125,000
Other receivables	(500)	-
Prepaid expenses	(2,051)	2,051
Increase (Decrease)		
Accounts payable and accrued expenses	20,600	(7,524)
Deferred revenue	(1,737)	945
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(270,207)</u>	<u>389,080</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
(Increase) in certificates of deposits	(139,445)	(150,315)
Purchase of fixed assets	(2,754)	(1,087)
Purchase of investments	(263,592)	(37,221)
Proceeds from sale of investments	312,728	22,594
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(93,063)</u>	<u>(166,029)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES		
Permanently restricted contributions	<u>1,850</u>	<u>4,051</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(361,420)	227,102
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>743,299</u>	<u>516,197</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 381,879</u>	<u>\$743,299</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, 2015 AND 2014

Organization and Nature of Activities

The Society of Environmental Journalists, Inc. (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, 2015 AND 2014

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 by 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, 2015 and 2014, 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 generally 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, 2015 AND 2014

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 2012.

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, 2015 and 2014:

	<u>Investments at Fair Values as of December 31, 2015</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ 245,693	\$ -	\$ -	\$ 245,693
Exchange Traded & Closed-End Funds	<u>43,825</u>	<u>-</u>	<u>-</u>	<u>43,825</u>
Total assets at fair value	<u>\$ 289,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 289,518</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

3 Investments (Continued)

	<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>

Investment (loss) income consists of the following:

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 20,507	\$ 17,906
Unrealized (loss) on investments	(23,855)	(5,054)
Realized (loss) gain on investments	<u>(3,364)</u>	<u>500</u>
	<u>\$ (6,712)</u>	<u>\$ 13,352</u>

Investments fees were reported separately on the Statement of Activities and totaled \$350 and \$300 and for the years ended December 31, 2015 and 2014, respectively.

4 Fixed Assets

Below is a summary of fixed assets as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Computer equipment	\$ 37,834	\$ 35,934
Office equipment	18,109	17,256
Furniture and fixtures	<u>45,185</u>	<u>45,185</u>
	101,128	98,375
Less accumulated depreciation	<u>(98,010)</u>	<u>(96,341)</u>
	<u>\$ 3,118</u>	<u>\$ 2,034</u>

Depreciation expense was \$1,669 and \$1,758 and for the years ended December 31, 2015 and 2014, respectively.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

5 Temporarily Restricted

Temporarily restricted net assets are available for the following purpose as of December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Annual Conference	\$ 161,500	\$ 105,000
Working Capital Funds	101,034	100,779
Fund for Environmental Journalism	57,047	401,911
General Operations	37,500	43,944
Feasibility Study	<u>-</u>	<u>25,000</u>
	<u>\$ 357,081</u>	<u>\$ 676,634</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>2015</u>	<u>2014</u>
Program Restriction Accomplished		
Freedom of Information WatchDog	\$ -	\$ 50,000
Annual Conference	81,428	230,000
Diversity program	-	25,000
Fund for Environmental Journalism	464,999	25,000
Climate and Energy Issues	<u>25,000</u>	<u>-</u>
	<u>\$ 571,427</u>	<u>\$ 330,000</u>
Time Restriction Accomplished		
General operations	<u>\$ 51,444</u>	<u>\$ 70,056</u>

7 Fund for Environmental Journalism

During 2014, the Organization received a \$385,000 contribution to the Organization's Fund for Environmental Journalism. The purpose of this fund is to provide news organizations with grants to fund environmental journalist positions. The Organization provided grants totaling \$354,653 and \$30,684 during the 2015 and 2014, respectively.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

8 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 endowment funds, including board designated funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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, 2015 and 2014:

	2015		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,500	\$ 269,152	\$ 310,652
Investment income	801	(5,192)	(4,391)
Contributions to endowment fund	-	1,850	1,850
Spending allowance	(801)	(13,041)	(13,842)
Changes in net assets	-	(16,383)	(16,383)
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 252,769</u>	<u>\$ 294,269</u>
	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>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2015 AND 2014

8 Endowment and Board Designated Funds (Continued)

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.

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.

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 \$2,842 and \$3,739 for the years ended December 31, 2015 and 2014, respectively.

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NOTES TO FINANCIAL STATEMENTS

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10 Operating Leases

The Organization entered into various non-cancellable 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 \$30,695 and \$30,847 for the years ended December 31, 2015 and 2014, respectively.

Future minimum lease payments under existing leases are as follows:

	<u>Equipment</u>	<u>Office Space</u>
2016	\$ 808	\$ 30,393
2017	-	18,038
	<u>\$ 808</u>	<u>\$ 48,431</u>

11 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.

12 Commitment

The Organization has committed to filling a number of rooms and to minimum banquet food and beverage revenues at future annual conferences in 2016 and 2017. 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.

13 Subsequent Event

The Organization has evaluated all subsequent events through July 20, 2016, the date the financial statements were available to be issued.