

SOCIETY OF ENVIRONMENTAL  
JOURNALISTS, INC.

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REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

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# O'CONNELL & COMPANY

Certified Public Accountants

## INDEPENDENT AUDITOR'S REPORT

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, 2012 and 2011, 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, 2012 and 2011, 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.



Wyncote, Pennsylvania  
June 4, 2013

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 386,756	\$ 364,804
Certificates of deposit	-	19,005
Investments	85,958	26,003
Grants receivable	150,000	15,000
Other receivable	15,590	3,995
Investment income receivable	220	762
Prepaid expenses	475	475
Website - net	20,000	35,000
Security deposits	<u>10,005</u>	<u>10,005</u>
	669,004	475,049
 Assets Whose Use is Limited		
Certificates of deposit	29,600	41,500
Investments	<u>255,442</u>	<u>242,352</u>
Total Assets Whose Use is Limited	285,042	283,852
 Fixed Assets, net	<u>2,848</u>	<u>2,403</u>
 TOTAL ASSETS	<u>\$ 956,894</u>	<u>\$ 761,304</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 25,287	\$ 18,189
Prepaid dues	<u>7,109</u>	<u>8,685</u>
Total Liabilities	<u>32,396</u>	<u>26,874</u>
 Net Assets		
Unrestricted	396,078	322,412
Temporarily restricted	284,878	169,666
Permanently restricted	<u>243,542</u>	<u>242,352</u>
Total Net Assets	<u>924,498</u>	<u>734,430</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 956,894</u>	<u>\$ 761,304</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012				2011			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Grants and contributions	\$ 239,733	\$ 342,000	\$ 3,626	\$ 585,359	\$ 65,040	\$ 232,000	\$ 4,961	\$ 302,001
Conference support and revenues	329,550	-	-	329,550	423,460	50,000	-	473,460
Membership fees	43,001	-	-	43,001	39,083	-	-	39,083
Mailing list rentals	25,416	-	-	25,416	12,413	-	-	12,413
Subscription sales	21,831	-	-	21,831	16,613	-	-	16,613
Investment income (loss)	12,625	-	21,745	34,370	(856)	-	(1,261)	(2,117)
Loss on disposal of fixed assets	-	-	-	-	(3,799)	-	-	(3,799)
Miscellaneous income	14,910	-	-	14,910	4,119	-	-	4,119
Endowment transfer	11,681	-	(11,681)	-	-	-	-	-
Assets released from restrictions	12,500	-	(12,500)	-	-	-	-	-
Satisfaction of program restrictions	163,122	(163,122)	-	-	195,000	(195,000)	-	-
Satisfaction of time restrictions	63,666	(63,666)	-	-	138,917	(138,917)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>938,035</u>	<u>115,212</u>	<u>1,190</u>	<u>1,054,437</u>	<u>889,990</u>	<u>(51,917)</u>	<u>3,700</u>	<u>841,773</u>
<b>EXPENSES</b>								
Program services	707,638	-	-	707,638	833,422	-	-	833,422
Supporting services								
General and administrative	96,515	-	-	96,515	115,284	-	-	115,284
Fundraising	60,216	-	-	60,216	65,620	-	-	65,620
<b>TOTAL EXPENSES</b>	<u>864,369</u>	<u>-</u>	<u>-</u>	<u>864,369</u>	<u>1,014,326</u>	<u>-</u>	<u>-</u>	<u>1,014,326</u>
<b>CHANGE IN NET ASSETS</b>	73,666	115,212	1,190	190,068	(124,336)	(51,917)	3,700	(172,553)
<b>NET ASSETS - Beginning of Year</b>	<u>322,412</u>	<u>169,666</u>	<u>242,352</u>	<u>734,430</u>	<u>446,748</u>	<u>221,583</u>	<u>238,652</u>	<u>906,983</u>
<b>NET ASSETS - End of Year</b>	<u>\$ 396,078</u>	<u>\$ 284,878</u>	<u>\$ 243,542</u>	<u>\$ 924,498</u>	<u>\$ 322,412</u>	<u>\$ 169,666</u>	<u>\$ 242,352</u>	<u>\$ 734,430</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, 2012

	<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>	<u>Total</u>
Payroll and related expenses								
Payroll	\$ 32,900	\$ 21,157	\$ 20,768	\$ 13,479	\$ 88,304	\$ 35,353	\$ 40,338	\$ 163,995
Payroll taxes	2,040	1,312	1,288	836	5,476	5,399	2,501	13,376
Employee benefits	9,119	5,864	5,756	3,736	24,475	10,807	11,181	46,463
Pension	763	491	482	313	2,049	820	936	3,805
Total Payroll and related expenses	44,822	28,824	28,294	18,364	120,304	52,379	54,956	227,639
Amortization Expense	-	-	-	-	-	15,000	-	15,000
Awards	-	28,546	-	-	28,546	-	-	28,546
Bank and credit card fees	-	-	-	-	-	11,251	-	11,251
Consultants	102,875	13,530	10,173	48,575	175,153	-	-	175,153
Depreciation	-	-	-	-	-	1,303	-	1,303
Facilities, catering, and audio visual services	68,440	-	-	-	68,440	-	-	68,440
Freedom of information initiatives	-	-	-	29,547	29,547	-	-	29,547
Insurance	1,323	851	835	542	3,551	293	334	4,178
Marketing and advertising	1,205	-	-	-	1,205	7,564	-	8,769
Membership mailing list	-	-	3,624	-	3,624	-	-	3,624
Office supplies	2,404	1,546	1,517	985	6,452	1,397	607	8,456
Postage, shipping and copying	1,328	1,011	838	1,479	4,656	294	-	4,950
Printing and other expenses	15,029	73	-	16,024	31,126	-	-	31,126
Regional Conference	-	75,791	-	-	75,791	-	-	75,791
Registration services	17,572	-	-	-	17,572	-	-	17,572
Rent and utilities	10,028	6,449	6,330	4,109	26,916	2,219	2,531	31,666
Telephone and online fees	4,579	954	842	547	6,922	295	337	7,554
Transportation and tour fees	20,866	-	-	-	20,866	-	-	20,866
Travel - Board meetings	5,750	3,698	3,630	2,356	15,434	1,273	1,451	18,158
Travel - Conferences	20,166	-	-	-	20,166	-	-	20,166
Website maintenance	13,500	2,700	-	35,167	51,367	3,247	-	54,614
	<u>\$ 329,887</u>	<u>\$ 163,973</u>	<u>\$ 56,083</u>	<u>\$ 157,695</u>	<u>\$ 707,638</u>	<u>\$ 96,515</u>	<u>\$ 60,216</u>	<u>\$ 864,369</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, 2011

	<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>	
Payroll and related expenses								
Payroll	\$ 32,943	\$ 12,442	\$ 19,943	\$ 22,335	\$ 87,663	\$ 29,937	\$ 40,905	\$ 158,505
Payroll taxes	2,107	796	1,275	1,428	5,606	5,202	2,615	13,423
Employee benefits	11,862	4,480	7,181	8,043	31,566	10,780	14,732	57,078
Pension	821	310	497	556	2,184	745	1,019	3,948
Total Payroll and related expenses	<u>47,733</u>	<u>18,028</u>	<u>28,896</u>	<u>32,362</u>	<u>127,019</u>	<u>46,664</u>	<u>59,271</u>	<u>232,954</u>
Amortization Expense	-	-	-	-	-	15,000	-	15,000
Awards	-	27,331	-	-	27,331	-	-	27,331
Bank and credit card fees	-	-	-	-	-	17,593	-	17,593
Consultants	128,376	13,221	7,175	73,753	222,525	-	-	222,525
Depreciation	-	-	-	-	-	1,226	-	1,226
Facilities, catering, and audio visual services	183,389	-	-	-	183,389	-	-	183,389
Freedom of information initiatives	-	-	-	32,660	32,660	-	-	32,660
Insurance	1,444	546	874	979	3,843	286	392	4,521
Marketing and advertising	-	-	-	-	-	6,951	-	6,951
Membership mailing list	-	-	161	-	161	-	-	161
Office supplies	2,586	977	1,565	3,753	8,881	1,576	701	11,158
Postage, shipping and copying	1,604	916	972	1,897	5,389	319	435	6,143
Printing and other expenses	17,870	-	-	18,654	36,524	-	-	36,524
Registration services	18,946	-	-	-	18,946	-	-	18,946
Rent and utilities	10,321	3,898	6,247	6,997	27,463	2,049	2,798	32,310
Repairs and maintenance	67	25	41	45	178	14	18	210
Telephone and online fees	5,661	914	800	940	8,315	263	358	8,936
Transportation and tour fees	38,395	-	-	-	38,395	-	-	38,395
Travel - Board meetings	6,074	2,295	3,677	4,119	16,165	1,206	1,647	19,018
Travel - Conferences	20,313	-	-	-	20,313	-	-	20,313
Website maintenance	13,500	2,700	2,700	37,025	55,925	22,137	-	78,062
	<u>\$ 496,279</u>	<u>\$ 70,851</u>	<u>\$ 53,108</u>	<u>\$ 213,184</u>	<u>\$ 833,422</u>	<u>\$ 115,284</u>	<u>\$ 65,620</u>	<u>\$ 1,014,326</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, 2012 AND 2011

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2012</u>	<u>2011</u>
Change in net assets	\$ 190,068	\$ (172,553)
Adjustment to reconcile change in net assets to net cash provided (used) by operations		
Depreciation and amortization	16,303	16,226
Unrealized (gain) loss on investments	(26,046)	8,617
Realized (gain) loss from sale of investments	(63)	(262)
Loss on disposal of fixed assets	-	(1,501)
Permanently restricted contributions	(3,626)	(4,961)
Changes in operating assets and liabilities		
Decrease (Increase)		
Grants receivable	(135,000)	10,000
Other receivables	(11,595)	(3,995)
Investment income receivable	542	550
Increase (Decrease)		
Accounts payable and accrued expenses	7,098	5,675
Deferred revenue	(1,576)	182
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>36,105</u>	<u>(142,022)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposits	30,905	150,755
Purchase of fixed assets	(1,748)	(2,623)
Disposal of fixed assets	-	5,300
Purchase of investments	(216,413)	(269,492)
Proceeds from sale of investments	169,477	225,300
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES	<u>(17,779)</u>	<u>109,240</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	3,626	4,961
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,626</u>	<u>4,961</u>
 NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,952	(27,821)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>364,804</u>	<u>392,625</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 386,756</u>	<u>\$ 364,804</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, 2012 AND 2011

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 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.

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.

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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

1 Summary of Significant Accounting Policies (Continued)

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

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% and 0% distributions from the permanently restricted fund for the fiscal years ended December 31, 2012 and 2011, 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, 2012 AND 2011

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 2009.

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, 2012 and 2011:

	<u>Assets at Fair Values as of December 31, 2012</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 340,675	\$ -	\$ -	\$ 340,675
Equities	<u>725</u>	<u>-</u>	<u>-</u>	<u>725</u>
Total assets at fair value	<u>\$ 341,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,400</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

3 Investments (Continued)

	<u>Assets at Fair Values as of December 31, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ 267,641	\$ -	\$ -	\$ 267,641
Equities	<u>714</u>	<u>-</u>	<u>-</u>	<u>714</u>
Total assets at fair value	<u>\$ 268,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 268,355</u>

Investment income (loss) consists of the following:

	<u>2012</u>	<u>2011</u>
Interest and dividends	\$ 8,261	\$ 6,238
Unrealized gain (loss) on investments	26,046	(8,617)
Realized gain on investments	<u>63</u>	<u>262</u>
	<u>\$ 34,370</u>	<u>\$ (2,117)</u>

Investments fees were \$300 for each of the years ended December 31, 2012 and 2011.

4 Grants Receivable

The Organization has grants receivable of \$150,000 as of December 31, 2012. Grants are expected to be collected as follows:

2013	\$ 100,000
2014	<u>50,000</u>
Total	<u>\$ 150,000</u>

5 Fixed Assets

Below is a summary of fixed assets as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Computer Equipment	\$ 34,847	\$ 33,099
Office Equipment	15,586	15,586
Furniture and Fixtures	<u>45,185</u>	<u>45,185</u>
	95,618	93,870
Less: accumulated depreciation	<u>(92,770)</u>	<u>(91,467)</u>
	<u>\$ 2,848</u>	<u>\$ 2,403</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

5 Fixed Assets (Continued)

Depreciation expense was \$1,303 and \$1,226 and for the years ended December 31, 2012 and 2011, respectively.

6 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.

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, 2012 and 2011:

	<u>2012</u>		
	<u>Board</u>	<u>Permanently</u>	
	<u>Designated</u>	<u>Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 41,500</u>	<u>\$ 242,352</u>	<u>\$ 283,852</u>
Investment income	1,306	21,745	23,051
Contributions to endowment fund	-	3,626	3,626
Funds released from restriction	-	(12,500)	(12,500)
Spending allowance	<u>(1,306)</u>	<u>(11,681)</u>	<u>(12,987)</u>
Changes in net assets	<u>-</u>	<u>1,190</u>	<u>1,190</u>
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 243,542</u>	<u>\$ 285,042</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

6 Endowment and Board Designated Funds (Continued)

	2011		
	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	<u>\$ 41,500</u>	<u>\$ 238,652</u>	<u>\$ 280,152</u>
Investment income (loss)	830	(1,261)	(431)
Contributions to endowment fund	-	4,961	4,961
Spending allowance	<u>(830)</u>	<u>-</u>	<u>(830)</u>
Changes in net assets	<u>-</u>	<u>3,700</u>	<u>3,700</u>
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 242,352</u>	<u>\$ 283,852</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.

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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2012 AND 2011

7 Temporarily Restricted

Temporarily restricted net assets are available for the following purpose as of December 31, 2012 and 2011.

	<u>2012</u>	<u>2011</u>
General Operations	\$ 10,500	\$ 47,166
IJNR Collaboration	50,000	-
Annual Conference	-	50,000
Fund for Environmental Journalism	-	15,000
Organizational Effectiveness Project	-	45,000
Freedom of Information Act	100,000	-
Marine Issues	-	10,000
Feasibility Study	-	2,500
Working Capital Funds	100,000	-
Minority Communities	14,378	-
Health Issues	10,000	-
	<u>\$ 284,878</u>	<u>\$ 169,666</u>

8 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>2012</u>	<u>2011</u>
Program Restriction Accomplished		
Mobile Application	\$ -	\$ 15,000
Annual Conference	50,000	100,000
Fund for Environmental Journalism	15,000	15,000
Freedom of Information Act	25,000	-
Marine Issues	10,000	15,000
Watchdog Project	-	50,000
Organization Effectiveness	45,000	-
Feasibility Study	2,500	-
Minority Communities	622	-
Health Issues	15,000	-
	<u>\$ 163,122</u>	<u>\$ 195,000</u>
Time Restriction Accomplished		
General operations	<u>\$ 63,666</u>	<u>\$ 138,917</u>

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YEARS ENDED DECEMBER 31, 2012 AND 2011

9 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 \$31,182 and \$31,020 for the years ended December 31, 2012 and 2011, respectively.

Future minimum lease payments under existing leases are as follows:

	<u>Equipment</u>	<u>Office Space</u>
2013	\$ 1,643	\$ 29,483
2014	-	17,508
	<u>\$ 1,643</u>	<u>\$ 46,991</u>

10 Pension Plan

In January 2010, the Organization terminated their 403(b) and SEP retirement plans and instituted a Simple IRA plan. 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 \$3,805 and \$3,948 for the years ended December 31, 2012 and 2011, respectively.

11 Compensated Absences

Employees of the Organization are entitled to paid vacations, sick days and other 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 Reclassification

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

13 Subsequent Event

The Organization entered into an operating lease for office equipment during March, 2013. The 39 month lease calls for quarterly payments of \$303 beginning on June 1, 2013.

The Organization has evaluated all subsequent events through June 4, 2013, the date the financial statements were available to be issued.