

SOCIETY OF ENVIRONMENTAL
JOURNALISTS, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

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O'CONNELL & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

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JENKINTOWN, PA 19046

INDEPENDENT AUDITOR'S REPORT

August 13, 2018

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, 2017 and 2016, 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, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 543,700	\$ 522,750
Certificates of deposit	49,982	396,051
Investments	358,401	311,654
Grants receivable	406,004	258,219
Prepaid expenses	19,016	3,082
Security deposits	10,005	10,005
Fixed assets, net	<u>1,604</u>	<u>1,560</u>
TOTAL ASSETS	<u><u>\$1,388,712</u></u>	<u><u>\$1,503,321</u></u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 7,772	\$ 2,390
Prepaid dues	<u>4,845</u>	<u>8,230</u>
Total Liabilities	<u>12,617</u>	<u>10,620</u>
Net Assets		
Unrestricted	413,077	341,557
Temporarily restricted	681,904	892,739
Permanently restricted	<u>281,114</u>	<u>258,405</u>
Total Net Assets	<u>1,376,095</u>	<u>1,492,701</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$1,388,712</u></u>	<u><u>\$1,503,321</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, 2017 AND 2016

	2017			2016				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Grants and contributions	\$ 209,217	\$ 488,039	\$ 1,718	\$ 698,974	\$ 168,055	\$1,041,490	\$ 2,747	\$1,212,292
Conference support and revenues	333,414	-	-	333,414	387,152	-	-	387,152
Membership fees	48,814	-	-	48,814	52,417	-	-	52,417
Mailing list rentals	13,695	-	-	13,695	12,008	-	-	12,008
Subscription sales	-	-	-	-	1,157	-	-	1,157
Investment income	17,385	405	33,996	51,786	10,802	262	16,083	27,147
Awards revenue	22,920	-	-	22,920	19,489	-	-	19,489
Miscellaneous income	7,909	-	-	7,909	3,854	-	-	3,854
Endowment transfer	13,005	-	(13,005)	-	13,194	-	(13,194)	-
Satisfaction of program restrictions	615,779	(615,779)	-	-	452,094	(452,094)	-	-
Satisfaction of time restrictions	83,500	(83,500)	-	-	54,000	(54,000)	-	-
TOTAL SUPPORT AND REVENUE	<u>1,365,638</u>	<u>(210,835)</u>	<u>22,709</u>	<u>1,177,512</u>	<u>1,174,222</u>	<u>535,658</u>	<u>5,636</u>	<u>1,715,516</u>
EXPENSES								
Program services	1,062,303	-	-	1,062,303	1,039,328	-	-	1,039,328
Supporting services								
General and administrative	136,033	-	-	136,033	84,550	-	-	84,550
Fundraising	95,782	-	-	95,782	52,787	-	-	52,787
TOTAL EXPENSES	<u>1,294,118</u>	<u>-</u>	<u>-</u>	<u>1,294,118</u>	<u>1,176,665</u>	<u>-</u>	<u>-</u>	<u>1,176,665</u>
(DECREASE) INCREASE IN NET ASSETS	71,520	(210,835)	22,709	(116,606)	(2,443)	535,658	5,636	538,851
NET ASSETS - Beginning of Year	<u>341,557</u>	<u>892,739</u>	<u>258,405</u>	<u>1,492,701</u>	<u>344,000</u>	<u>357,081</u>	<u>252,769</u>	<u>953,850</u>
NET ASSETS - End of Year	<u>\$ 413,077</u>	<u>\$ 681,904</u>	<u>\$ 281,114</u>	<u>\$1,376,095</u>	<u>\$ 341,557</u>	<u>\$ 892,739</u>	<u>\$ 258,405</u>	<u>\$1,492,701</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, 2017

	Program Services				Supporting Services				
	Conference	Regional/ Fellowship/ Diversity/ and Awards	Membership and Database	Publications	Total Program Services	General and Administrative	Fundraising	Total	2016
Personnel Expenses									
Payroll	\$ 62,021	\$ 52,227	\$ 34,572	\$ 8,171	\$ 156,991	\$ 50,318	\$ 69,634	\$ 276,943	205,623
Payroll taxes	4,983	4,196	2,777	656	12,612	4,043	5,594	22,249	16,793
Employee benefits	4,184	8,806	7,196	62	20,248	11,602	12,718	44,568	39,421
Pension	1,096	1,293	1,037	109	3,535	1,372	1,214	6,121	2,605
Total Personnel Expenses	72,284	66,522	45,582	8,998	193,386	67,335	89,160	349,881	264,442
Awards	-	236,021	-	-	236,021	-	-	236,021	341,994
Bank and credit card fees	-	-	-	-	-	8,996	-	8,996	13,068
Board and staff development	-	-	-	-	-	-	-	-	3,230
Consultants	112,683	25,260	-	118,580	256,523	32,922	-	289,445	209,939
Depreciation	-	-	-	-	-	1,604	-	1,604	1,558
Facilities, catering, and audio visual services	166,147	-	-	-	166,147	-	-	166,147	138,592
Freedom of information initiatives	-	-	-	-	-	-	-	-	36,016
Insurance	1,734	1,460	967	228	4,389	325	450	5,164	6,644
Marketing and advertising	324	-	-	-	324	-	-	324	201
Membership mailing list	-	-	4,448	-	4,448	-	-	4,448	5,436
Office supplies	1,118	652	431	102	2,303	549	201	3,053	4,092
Payroll fees	-	-	-	-	-	1,416	-	1,416	-
Postage, shipping and copying	1,227	469	271	401	2,368	91	126	2,585	5,038
Printing and other expenses	12,826	-	-	-	12,826	-	-	12,826	20,053
Professional fees	-	-	-	-	-	10,006	-	10,006	9,919
Regional conference	-	40,395	-	-	40,395	-	-	40,395	342
Registration services	7,000	-	-	-	7,000	-	-	7,000	11,134
Rent and utilities	6,221	5,239	3,468	820	15,748	1,166	1,613	18,527	35,703
Repairs and maintenance	-	-	-	-	-	5,177	-	5,177	-
Telephone and online fees	3,409	2,055	1,361	322	7,147	457	633	8,237	6,784
Transportation and tour fees	26,308	-	-	-	26,308	-	-	26,308	29,950
Travel - Board meetings	13,881	11,689	7,738	1,829	35,137	2,601	3,599	41,337	11,777
Travel - Conferences	17,797	-	-	-	17,797	-	-	17,797	15,200
Travel - Fellowships	34,036	-	-	-	34,036	-	-	34,036	-
Website maintenance	-	-	-	-	-	3,388	-	3,388	5,553
	<u>\$ 476,995</u>	<u>\$ 389,762</u>	<u>\$ 64,266</u>	<u>\$ 131,280</u>	<u>\$ 1,062,303</u>	<u>\$ 136,033</u>	<u>\$ 95,782</u>	<u>\$ 1,294,118</u>	<u>\$ 1,176,665</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, 2016

	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	\$ 50,702	\$ 31,030	\$ 48,869	\$ 11,902	\$ 142,503	\$ 28,934	\$ 34,186	\$ 205,623
Payroll taxes	4,037	2,471	3,891	948	11,347	2,724	2,722	16,793
Employee benefits	8,756	6,042	8,183	1,357	24,338	5,584	9,499	39,421
Pension	782	521	78	130	1,511	182	912	2,605
Total Personnel Expenses	64,277	40,064	61,021	14,337	179,699	37,424	47,319	264,442
Awards	-	341,994	-	-	341,994	-	-	341,994
Bank and credit card fees	-	-	-	-	-	13,068	-	13,068
Board and staff development	977	598	942	229	2,746	222	262	3,230
Consultants	100,552	1,620	362	95,501	198,035	11,904	-	209,939
Depreciation	-	-	-	-	-	1,558	-	1,558
Facilities, catering, and audio visual services	138,592	-	-	-	138,592	-	-	138,592
Freedom of information initiatives	-	-	-	36,016	36,016	-	-	36,016
Insurance	2,009	1,229	1,937	472	5,647	457	540	6,644
Marketing and advertising	201	-	-	-	201	-	-	201
Membership mailing list	-	-	5,436	-	5,436	-	-	5,436
Office supplies	1,087	666	1,048	255	3,056	744	292	4,092
Postage, shipping and copying	1,803	306	466	2,223	4,798	110	130	5,038
Printing and other expenses	13,603	-	-	6,450	20,053	-	-	20,053
Professional fees	-	-	-	-	-	9,919	-	9,919
Regional conference	-	342	-	-	342	-	-	342
Registration services	11,134	-	-	-	11,134	-	-	11,134
Rent and utilities	10,798	6,608	10,407	2,534	30,347	2,455	2,901	35,703
Telephone and online fees	3,471	879	1,385	337	6,072	326	386	6,784
Transportation and tour fees	29,950	-	-	-	29,950	-	-	29,950
Travel - Board meetings	3,561	2,180	3,433	836	10,010	810	957	11,777
Travel - Conferences	15,200	-	-	-	15,200	-	-	15,200
Website maintenance	-	-	-	-	-	5,553	-	5,553
	<u>\$ 397,215</u>	<u>\$ 396,486</u>	<u>\$ 86,437</u>	<u>\$ 159,190</u>	<u>\$ 1,039,328</u>	<u>\$ 84,550</u>	<u>\$ 52,787</u>	<u>\$ 1,176,665</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, 2017 AND 2016

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2017</u>	<u>2016</u>
(Decrease) Increase in net assets	\$(116,606)	\$ 538,851
Adjustment to reconcile change in net assets to net cash (used) provided by operations:		
Depreciation and amortization	1,604	1,558
Unrealized gain on investments	(7,760)	(4,519)
Realized (gain) loss from sale of investments	(852)	4,048
Permanently restricted contributions	(1,718)	(2,747)
Changes in operating assets and liabilities		
Decrease (Increase)		
Grant receivable	(147,785)	(258,219)
Other receivables	-	500
Prepaid expenses	(15,934)	2,393
Increase (Decrease)		
Accounts payable and accrued expenses	5,382	(37,559)
Deferred revenue	(3,385)	1,638
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(287,054)</u>	<u>245,944</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease (Increase) in certificates of deposits	346,069	(86,155)
Purchase of fixed assets	(1,649)	-
Purchase of investments	(388,986)	(605,080)
Proceeds from sale of investments	<u>350,852</u>	<u>583,415</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>306,286</u>	<u>(107,820)</u>
 NET CASH PROVIDED BY FINANCING ACTIVITIES		
Permanently restricted contributions	<u>1,718</u>	<u>2,747</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	20,950	140,871
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>522,750</u>	<u>381,879</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 543,700</u>	<u>\$ 522,750</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, 2017 AND 2016

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, 2017 AND 2016

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 Directors of the Organization have elected to make 5% distributions from the permanently restricted fund for the years ended December 31, 2017 and 2016, respectively.

Board Designated Funds -- The Board of Directors 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 as 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, 2017 AND 2016

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 2014.

2 Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, Presentation of Financial Statements of Not-for-Profit Entities (Topic 958), intended to improve financial reporting for not-for-profit entities.

The ASU will reduce the current three classes of net assets into two: with and without donor restrictions. The change in each of the classes of net assets must be reported on the Statement of Activities and Change in Net Assets. The ASU also requires various enhanced disclosures around topics such as board designations, liquidity, functional classification of expenses, investment expenses and donor restrictions. The ASU is effective for years beginning after December 15, 2017. Early adoption is permitted. The ASU should be applied on a retrospective basis in the year the ASU is first applied. While the ASU will change the presentation of the Organization's financial statements, it is not expected to alter the Organization's reported financial position.

3 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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

4 Grant Receivable

The Organization has grants receivable of \$406,004 as of December 31, 2017. Management expects all grants to be collected during fiscal year 2018.

5 Investments

Cash and certificates of deposits included in investment accounts are separately stated on the Statement of Financial Position.

The following tables set forth by level, within the fair value hierarchy, the Organization's investments as of December 31, 2017 and 2016:

	<u>Investments at Fair Values as of December 31, 2017</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ -	\$ 296,992	\$ -	\$ 296,992
Exchange Traded & Closed-End Funds	-	61,088	-	61,088
Equities	<u>321</u>	<u>-</u>	<u>-</u>	<u>321</u>
Total assets at fair value	<u>\$ 321</u>	<u>\$ 358,080</u>	<u>\$ -</u>	<u>\$ 358,401</u>

	<u>Investments at Fair Values as of December 31, 2016</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity Mutual Funds	\$ -	\$ 249,687	\$ -	\$ 249,687
Exchange Traded & Closed-End Funds	-	60,964	-	60,964
Equities	<u>1,003</u>	<u>-</u>	<u>-</u>	<u>1,003</u>
Total assets at fair value	<u>\$ 1,003</u>	<u>\$ 310,651</u>	<u>\$ -</u>	<u>\$ 311,654</u>

Investment income consists of the following:

	<u>2017</u>	<u>2016</u>
Interest and dividends	\$ 43,174	\$ 26,676
Unrealized income on investments	7,760	4,519
Realized gain (loss) on investments	<u>852</u>	<u>(4,048)</u>
	<u>\$ 51,786</u>	<u>\$ 27,147</u>

Investment fees were included separately on the Statement of Activities and totaled \$152 and \$414 for the years ended December 31, 2017 and 2016, respectively.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

6 Fixed Assets

Below is a summary of fixed assets as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Computer equipment	\$ 7,977	\$ 37,834
Office equipment	3,771	18,109
Furniture and fixtures	-	45,185
	<u>11,748</u>	<u>101,128</u>
Less accumulated depreciation	<u>(10,144)</u>	<u>(99,568)</u>
	<u>\$ 1,604</u>	<u>\$ 1,560</u>

Depreciation expense was \$1,604 and \$1,558 and for the years ended December 31, 2017 and 2016, respectively.

7 Temporarily Restricted

Temporarily restricted net assets are available for the following purposes as of December 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Fund for Environmental Journalism	\$ 516,003	\$ 360,216
Annual Conference	32,477	347,727
Working Capital Funds	101,700	101,296
Awards	21,600	-
Fellowships	10,124	-
General Operations	-	83,500
	<u>\$ 681,904</u>	<u>\$ 892,739</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>2017</u>	<u>2016</u>
Program Restriction Accomplished		
Fund for Environmental Journalism	\$ 299,162	\$ 363,321
Annual Conference	315,250	88,773
Fellowships	1,367	-
	<u>\$ 615,779</u>	<u>\$ 452,094</u>
Time Restriction Accomplished		
General operations	<u>\$ 83,500</u>	<u>\$ 54,000</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2017 AND 2016

9 Endowment and Board Designated Funds

The Organization's endowment fund consists of a single donor-restricted endowment fund to support general operations. As required by accounting standards generally accepted in the United States of America, net assets associated with endowment 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, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Endowment net assets, beginning of year	\$ 258,405	\$ 252,769
Investment income	33,996	16,083
Contributions to endowment fund	1,718	2,747
Spending allowance	<u>(13,005)</u>	<u>(13,194)</u>
Changes in net assets	<u>22,709</u>	<u>5,636</u>
Endowment net assets, end of year	<u>\$ 281,114</u>	<u>\$ 258,405</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 continue to grow annually. This is consistent with the Organization's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

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YEARS ENDED DECEMBER 31, 2017 AND 2016

9 Endowment and Board Designated Funds (Continued)

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.

10 Pension Plan

The Organization sponsors a Simple IRA plan for its employees. 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 \$6,120 and \$2,605 for the years ended December 31, 2017 and 2016, respectively.

11 Operating Leases

The Organization entered into various non-cancellable leases for office and storage space. The leases qualify as operating leases and payments are charged to expense as they are incurred. Lease expense was \$16,469 and \$31,400 for the years ended December 31, 2017 and 2016, respectively. The office space lease expired on July 31, 2017. Upon the expiration of the lease, management began working remotely.

13 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.

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14 Commitment

The Organization has committed to filling a number of rooms and to minimum banquet food and beverage revenues at their 2018 annual conference. 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.

15 Subsequent Event

The Organization has evaluated all subsequent events through August 13, 2018, the date the financial statements were available to be issued.