

SOCIETY OF ENVIRONMENTAL
JOURNALISTS, INC.

REPORT ON AUDIT OF
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENDITURES - 2010	4
STATEMENT OF FUNCTIONAL EXPENDITURES - 2009	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 14

O'CONNELL & COMPANY

Certified Public Accountants

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August 5, 2011

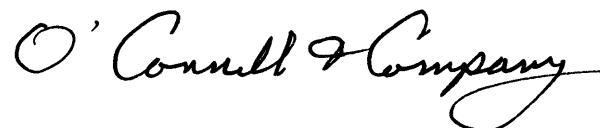
INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of The Society of Environmental Journalists as of December 31, 2010 and 2009 and the related statements of activities, functional expenditures and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of The Society of Environmental Journalists as of December 31, 2010 and 2009 and the changes in its net assets, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Certified Public Accountants

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 392,625	\$ 274,914
Certificates of deposit	163,627	227,281
Investments	-	21
Grants receivable	25,000	-
Other receivable	-	3,055
Investment income receivable	1,312	1,714
Prepaid expenses	475	193
Website - net	50,000	65,000
Security deposits	<u>10,005</u>	<u>10,005</u>
	643,044	582,183
Assets Whose Use is Limited		
Certificates of deposit	47,635	53,158
Investments	<u>232,517</u>	<u>207,947</u>
Total Assets Whose Use is Limited	280,152	261,105
Fixed Assets, net	<u>4,804</u>	<u>6,409</u>
TOTAL ASSETS	<u>\$ 928,000</u>	<u>\$ 849,697</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 12,514	\$ 8,691
Prepaid dues	<u>8,503</u>	<u>5,711</u>
Total Liabilities	<u>21,017</u>	<u>14,402</u>
Net Assets		
Unrestricted	446,748	398,223
Temporarily restricted	221,583	217,467
Permanently restricted	<u>238,652</u>	<u>219,605</u>
Total Net Assets	<u>906,983</u>	<u>835,295</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 928,000</u>	<u>\$ 849,697</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010				2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE								
Grants and contributions	\$ 87,420	\$ 229,000	\$ 3,884	\$ 320,304	\$ 114,404	\$ 60,000	\$ 6,455	\$ 180,859
Conference support and revenues	437,911	100,000	-	537,911	269,657	-	-	269,657
Membership fees	47,463	-	-	47,463	41,197	-	-	41,197
Mailing list rentals	26,964	-	-	26,964	28,476	-	-	28,476
Subscription sales	20,653	-	-	20,653	18,588	-	-	18,588
Investment income	14,158	-	15,163	29,321	27,602	-	20,375	47,977
Endowment transfer	-	-	-	-	20,375	-	(20,375)	-
Miscellaneous income	3,786	-	-	3,786	4,280	-	-	4,280
Satisfaction of program restrictions	55,592	(55,592)	-	-	139,658	(139,658)	-	-
Satisfaction of time restrictions	269,292	(269,292)	-	-	354,584	(354,584)	-	-
TOTAL SUPPORT AND REVENUE	<u>963,239</u>	<u>4,116</u>	<u>19,047</u>	<u>986,402</u>	<u>1,018,821</u>	<u>(434,242)</u>	<u>6,455</u>	<u>591,034</u>
EXPENSES								
Program services	736,577	-	-	736,577	789,981	-	-	789,981
Supporting services								
General and administrative	122,591	-	-	122,591	160,960	-	-	160,960
Fundraising	55,546	-	-	55,546	59,077	-	-	59,077
TOTAL EXPENSES	<u>914,714</u>	<u>-</u>	<u>-</u>	<u>914,714</u>	<u>1,010,018</u>	<u>-</u>	<u>-</u>	<u>1,010,018</u>
CHANGE IN NET ASSETS	48,525	4,116	19,047	71,688	8,803	(434,242)	6,455	(418,984)
NET ASSETS - Beginning of Year	<u>398,223</u>	<u>217,467</u>	<u>219,605</u>	<u>835,295</u>	<u>389,420</u>	<u>651,709</u>	<u>213,150</u>	<u>1,254,279</u>
NET ASSETS - End of Year	<u>\$ 446,748</u>	<u>\$ 221,583</u>	<u>\$ 238,652</u>	<u>\$ 906,983</u>	<u>\$ 398,223</u>	<u>\$ 217,467</u>	<u>\$ 219,605</u>	<u>\$ 835,295</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, 2010

	<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	\$ 62,507	\$ 25,696	\$ 27,609	\$ 37,705	\$ 153,517	\$ 40,612	\$ 37,094	\$ 231,223
Payroll taxes	3,986	1,639	1,761	2,404	9,790	8,940	2,366	21,096
Employee benefits	15,960	6,561	7,049	9,627	39,197	10,369	9,471	59,037
Pension	1,685	693	744	1,016	4,138	1,095	1,000	6,233
Total Payroll and related expenses	<u>84,138</u>	<u>34,589</u>	<u>37,163</u>	<u>50,752</u>	<u>206,642</u>	<u>61,016</u>	<u>49,931</u>	<u>317,589</u>
Amortization Expense	-	-	-	-	-	15,000	-	15,000
Awards	-	18,545	-	-	18,545	-	-	18,545
Bank and credit card fees	-	-	-	-	-	13,562	-	13,562
Consultants	80,297	-	-	71,336	151,633	-	-	151,633
Depreciation	-	-	-	-	-	1,605	-	1,605
Facilities, catering, and audio visual services	74,103	-	-	-	74,103	-	-	74,103
Freedom of information initiatives	-	-	-	41,223	41,223	-	-	41,223
Insurance	1,763	718	783	1,044	4,308	120	358	4,786
Marketing and advertising	-	-	-	-	-	8,162	-	8,162
Membership mailing list	-	-	8,635	-	8,635	-	-	8,635
Office supplies	16,455	1,112	1,213	1,867	20,647	1,086	554	22,287
Postage, shipping and copying	2,199	999	860	591	4,649	334	298	5,281
Printing and other expenses	11,198	1,179	-	22,933	35,310	-	-	35,310
Regional conference expenses	-	164	-	-	164	-	-	164
Registration services	17,410	-	-	-	17,410	-	-	17,410
Rent and utilities	11,178	4,554	4,968	6,624	27,324	3,097	2,269	32,690
Repairs and maintenance	67	28	30	40	165	15	14	194
Strategic Planning	166	68	74	98	406	37	34	477
Telephone and online fees	6,356	797	627	837	8,617	291	397	9,305
Transportation and tour fees	8,203	-	-	-	8,203	-	-	8,203
Travel - Board meetings	8,328	3,393	3,701	4,935	20,357	1,901	1,691	23,949
Travel - Conferences	34,212	-	-	-	34,212	-	-	34,212
Website maintenance	13,506	2,701	2,701	35,116	54,024	16,365	-	70,389
	<u>\$ 369,579</u>	<u>\$ 68,847</u>	<u>\$ 60,755</u>	<u>\$ 237,396</u>	<u>\$ 736,577</u>	<u>\$ 122,591</u>	<u>\$ 55,546</u>	<u>\$ 914,714</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, 2009

	<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	\$ 81,631	\$ 31,197	\$ 30,512	\$ 37,912	\$ 181,252	\$ 42,274	\$ 36,671	\$ 260,197
Payroll taxes	5,222	1,996	1,952	2,425	11,595	10,721	2,346	24,662
Employee benefits	24,004	9,174	8,972	11,148	53,298	12,431	10,783	76,512
Pension	3,783	1,446	1,414	1,757	8,400	1,959	1,699	12,058
Total Payroll and related expenses	<u>114,640</u>	<u>43,813</u>	<u>42,850</u>	<u>53,242</u>	<u>254,545</u>	<u>67,385</u>	<u>51,499</u>	<u>373,429</u>
Amortization Expense	-	-	-	-	-	10,000	-	10,000
Awards	-	21,048	-	-	21,048	-	-	21,048
Bank and credit card fees	-	-	-	-	-	10,723	-	10,723
Consultants	72,453	-	-	65,363	137,816	-	-	137,816
Depreciation	-	-	-	-	-	2,654	-	2,654
Diversity	-	3,197	-	-	3,197	-	-	3,197
Facilities, catering, and audio visual services	95,489	-	-	-	95,489	-	-	95,489
Freedom of information initiatives	-	-	-	35,336	35,336	-	-	35,336
Insurance	2,263	734	673	489	4,159	344	390	4,893
Marketing and advertising	-	-	-	-	-	6,695	-	6,695
Membership mailing list	-	-	4,139	-	4,139	-	-	4,139
Office supplies	6,259	2,030	1,861	1,353	11,503	1,523	1,078	14,104
Postage, shipping and copying	2,704	876	803	5,367	9,750	411	465	10,626
Printing and other expenses	17,964	4,552	-	22,420	44,936	-	-	44,936
Regional conference expenses	-	6,175	2,684	-	8,859	-	-	8,859
Registration services	16,272	-	-	-	16,272	-	-	16,272
Rent and utilities	17,610	5,711	5,235	3,808	32,364	2,677	3,034	38,075
Repairs and maintenance	1,307	424	388	283	2,402	199	225	2,826
Strategic Planning	-	-	-	-	-	44,408	-	44,408
Telephone and online fees	7,698	1,095	1,004	774	10,571	513	582	11,666
Transportation and tour fees	14,875	-	-	-	14,875	-	-	14,875
Travel - Board meetings	10,473	3,397	3,113	2,264	19,247	6,764	1,804	27,815
Travel - Conferences	10,196	-	-	-	10,196	-	-	10,196
Website maintenance	13,319	2,664	2,664	34,630	53,277	6,664	-	59,941
	<u>\$ 403,522</u>	<u>\$ 95,716</u>	<u>\$ 65,414</u>	<u>\$ 225,329</u>	<u>\$ 789,981</u>	<u>\$ 160,960</u>	<u>\$ 59,077</u>	<u>\$ 1,010,018</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, 2010 AND 2009

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2010</u>	<u>2009</u>
Change in net assets	\$ 71,688	\$ (418,984)
Adjustment to reconcile change in net assets to net cash provided (used) by operations		
Depreciation and amortization	16,605	12,654
Unrealized gain on investments	(22,700)	(34,288)
Realized loss from sale of investments	1,715	2,980
Permanently restricted contributions	(3,884)	(6,455)
Decrease (Increase)		
Grants receivable	(25,000)	350,000
Other receivables	3,055	1,955
Investment income receivable	402	3,039
Prepaid expenses	(282)	(5,572)
Security Deposit	-	(6,005)
Increase (Decrease)		
Accounts payable and accrued expenses	3,823	(17,448)
Deferred revenue	2,792	(315)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>48,214</u>	<u>(118,439)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	-	(689)
Website upgrade project	-	(3,219)
Decrease in certificates of deposits	69,178	190,168
Purchase of investments	(370,960)	(271,341)
Proceeds from sale of investments	367,395	234,483
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>65,613</u>	<u>149,402</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	3,884	6,455
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>3,884</u>	<u>6,455</u>
 NET INCREASE IN CASH	117,711	37,418
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>274,914</u>	<u>237,496</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 392,625</u>	<u>\$ 274,914</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, 2010 AND 2009

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 market 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, 2010 AND 2009

(Continued)

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 -- The Organization has adopted a total return investment policy in accordance with state law. The primary investment objective is to maximize long-term return through a combination of income and capital appreciation achieved in a prudent manner. Therefore, the financial objective is to earn a total return (net of all fees and expenses) equal to or exceeding the spending rate plus the inflation rate as measured by the Consumer Price Index. The investment policy of the Organization will be carried out by means of investment strategies that reflect continuous evaluation of changing investment environments, management judgment regarding the allocation of assets among different kinds of asset classes, identification of appropriate investment vehicles and the making of specific investment decisions.

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.

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 -- Accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy in accordance with generally accepted accounting principles are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

1 Summary of Significant Accounting Policies (Continued)

Fair Value Measurements (Continued)

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlations or other means.

If the asset or liability has a specified contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The fair values of investments in marketable securities, including equity and debt securities, mutual funds and exchange traded funds, are based on quoted market prices for those investments on the last day of the fiscal year.

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Income Taxes - Accounting standards require the tax effects of certain tax positions to be recognized. These tax positions must meet a "more likely than not" standard that based on their technical merit have more than 50% likelihood of being sustained upon IRS examination. Management estimates that there are no uncertain tax positions as of as of December 31, 2010.

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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

3 Investments

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

Investments consist of the following at December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Mutual Funds	\$ 232,227	\$ 207,947
Equities	<u>290</u>	<u>21</u>
	<u>\$ 232,517</u>	<u>\$ 207,968</u>

Investment income consists of the following:

	<u>2010</u>	<u>2009</u>
Interest and dividends	\$ 8,336	\$ 16,669
Unrealized gain on investments	22,700	34,288
Realized loss on investments	<u>(1,715)</u>	<u>(2,980)</u>
	<u>\$ 29,321</u>	<u>\$ 47,977</u>

Investments fees were \$360 and \$300 for the years ended December 31, 2010 and 2009, respectively.

4 Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2010 and 2009:

	<u>Assets at Fair Values as of December 31, 2010</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 232,227	\$ -	\$ 232,227
Equities	<u>290</u>	<u>-</u>	<u>-</u>	<u>290</u>
Total assets at fair value	<u>\$ 290</u>	<u>\$ 232,227</u>	<u>\$ -</u>	<u>\$ 232,517</u>

	<u>Assets at Fair Values as of December 31, 2009</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 207,947	\$ -	\$ 207,947
Equities	<u>21</u>	<u>-</u>	<u>-</u>	<u>21</u>
Total assets at fair value	<u>\$ 21</u>	<u>\$ 207,947</u>	<u>\$ -</u>	<u>\$ 207,968</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

5 Fixed Assets

Below is a summary of fixed assets as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Computer Equipment	\$ 30,475	\$ 30,475
Office Equipment	15,586	15,586
Furniture and Fixtures	45,185	45,185
Leasehold Improvements	<u>5,300</u>	<u>5,300</u>
	96,546	96,546
Less: accumulated depreciation	<u>(91,742)</u>	<u>(90,137)</u>
	<u>\$ 4,804</u>	<u>\$ 6,409</u>

Depreciation expense was \$1,605 and \$2,654 for the years ended December 31, 2010 and 2009, respectively.

6 Grants Receivable

The Organization has grants receivable of \$25,000 as of December 31, 2010. Management expects that all grants will be collected in full during 2011.

7 Designated Net Assets

The Board of Directors has designated \$41,500 to be used for endowment for the years ended December 31, 2010 and 2009, respectively.

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 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 diminutions 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 year ended December 31, 2010 and 2009:

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

8 Endowment and Board Designated Funds (Continued)

	<u>2010</u>		
	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 41,500	\$ 219,605	\$ 261,105
Investment income	830	15,163	15,993
Contributions to endowment fund	-	3,884	3,884
Spending allowance	(830)	-	(830)
Changes in net assets	-	19,047	19,047
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 238,652</u>	<u>\$ 280,152</u>

	<u>2009</u>		
	<u>Board Designated</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 41,500	\$ 213,150	\$ 254,650
Investment income	830	20,375	21,205
Contributions to endowment fund	-	6,455	6,455
Spending allowance	(830)	(20,375)	(21,205)
Changes in net assets	-	6,455	6,455
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 219,605</u>	<u>\$ 261,105</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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

8 Endowment and Board Designated Funds (Continued)

Strategies Employed for Achieving Objectives (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. The Board of the Directors of the Organization have elected to make no distributions from the endowment fund for the fiscal year ended December 31, 2010. During 2009, all endowment income was distributed from the endowment fund.

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 Temporarily Restricted

Temporarily restricted net assets are available for the following purpose as of December 31, 2010 and 2009.

	<u>2010</u>	<u>2009</u>
General Operations	\$ 106,583	\$ 211,875
Mobile Application	15,000	-
2011 Conference	100,000	-
Strategic Planning	-	5,592
	<u>\$ 221,583</u>	<u>\$ 217,467</u>

10 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>2010</u>	<u>2009</u>
Program Restriction Accomplished		
Watchdog Project	\$ 50,000	\$ 25,250
Annual Conference	-	70,000
Strategic Planning	5,592	44,408
	<u>\$ 55,592</u>	<u>\$ 139,658</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(Continued)

10 Satisfaction of Program Restriction (Continued)

	<u>2010</u>	<u>2009</u>
Time Restriction Accomplished		
General operations	<u>\$ 269,292</u>	<u>\$ 354,584</u>

11 Operating Leases

The Organization entered into leases of office space for a three and half year term beginning May, 2009. Equipment is leased under an operating lease for five years beginning January, 2005. Lease expense was \$31,380 and \$32,897 for the years ended December 31, 2010 and 2009, respectively.

Future minimum lease payments under existing leases are as follows:

	<u>Equipment</u>	<u>Office Space</u>
2011	\$ 2,928	\$ 27,664
2012	2,928	28,573
2013	1,952	29,483
2014	-	17,508
	<u>\$ 7,808</u>	<u>\$ 103,228</u>

12 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 \$6,233 and \$12,058 for the years ended December 31, 2010 and 2009, respectively.

13 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.

14 Subsequent Event

The Organization has evaluated all subsequent events through August 5, 2011, the date the financial statements were available to be issued.