

SOCIETY OF ENVIRONMENTAL  
JOURNALISTS, INC.

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REPORT ON AUDIT OF  
FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

## CONTENTS

	PAGE
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF FINANCIAL POSITION	2
STATEMENTS OF ACTIVITIES	3
STATEMENT OF FUNCTIONAL EXPENDITURES - 2011	4
STATEMENT OF FUNCTIONAL EXPENDITURES - 2010	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7 - 14

# O'CONNELL & COMPANY

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Certified Public Accountants

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April 4, 2012

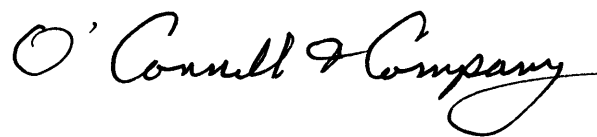
## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of financial position of The Society of Environmental Journalists, Inc. as of December 31, 2011 and 2010 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, Inc. as of December 31, 2011 and 2010 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, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 364,804	\$ 392,625
Certificates of deposit	19,005	163,627
Investments	26,003	-
Grants receivable	15,000	25,000
Other receivable	3,995	-
Investment income receivable	762	1,312
Prepaid expenses	475	475
Website - net	35,000	50,000
Security deposits	<u>10,005</u>	<u>10,005</u>
	475,049	643,044
 Assets Whose Use is Limited		
Certificates of deposit	41,500	47,635
Investments	<u>242,352</u>	<u>232,517</u>
Total Assets Whose Use is Limited	283,852	280,152
 Fixed Assets, net	<u>2,403</u>	<u>4,804</u>
 TOTAL ASSETS	<u>\$ 761,304</u>	<u>\$ 928,000</u>
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 18,189	\$ 12,514
Prepaid dues	<u>8,685</u>	<u>8,503</u>
Total Liabilities	<u>26,874</u>	<u>21,017</u>
 Net Assets		
Unrestricted	322,412	446,748
Temporarily restricted	169,666	221,583
Permanently restricted	<u>242,352</u>	<u>238,652</u>
Total Net Assets	<u>734,430</u>	<u>906,983</u>
 TOTAL LIABILITIES AND NET ASSETS	<u>\$ 761,304</u>	<u>\$ 928,000</u>

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

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

STATEMENTS OF ACTIVITIES

YEARS ENDED DECEMBER 31, 2011 AND 2010

	2011				2010			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>SUPPORT AND REVENUE</b>								
Grants and contributions	\$ 65,040	\$ 232,000	\$ 4,961	\$ 302,001	\$ 87,420	\$ 229,000	\$ 3,884	\$ 320,304
Conference support and revenues	423,460	50,000	-	473,460	437,911	100,000	-	537,911
Membership fees	39,083	-	-	39,083	47,463	-	-	47,463
Mailing list rentals	12,413	-	-	12,413	26,964	-	-	26,964
Subscription sales	16,613	-	-	16,613	20,653	-	-	20,653
Investment (loss) income	(856)	-	(1,261)	(2,117)	14,158	-	15,163	29,321
Loss on disposal of fixed assets	(3,799)	-	-	(3,799)	-	-	-	-
Miscellaneous income	4,119	-	-	4,119	3,786	-	-	3,786
Satisfaction of program restrictions	195,000	(195,000)	-	-	55,592	(55,592)	-	-
Satisfaction of time restrictions	138,917	(138,917)	-	-	269,292	(269,292)	-	-
<b>TOTAL SUPPORT AND REVENUE</b>	<u>889,990</u>	<u>(51,917)</u>	<u>3,700</u>	<u>841,773</u>	<u>963,239</u>	<u>4,116</u>	<u>19,047</u>	<u>986,402</u>
<b>EXPENSES</b>								
Program services	805,841	-	-	805,841	736,577	-	-	736,577
Supporting services								
General and administrative	145,194	-	-	145,194	122,591	-	-	122,591
Fundraising	63,291	-	-	63,291	55,546	-	-	55,546
<b>TOTAL EXPENSES</b>	<u>1,014,326</u>	<u>-</u>	<u>-</u>	<u>1,014,326</u>	<u>914,714</u>	<u>-</u>	<u>-</u>	<u>914,714</u>
<b>CHANGE IN NET ASSETS</b>	(124,336)	(51,917)	3,700	(172,553)	48,525	4,116	19,047	71,688
<b>NET ASSETS - Beginning of Year</b>	<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>
<b>NET ASSETS - End 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>

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

	Program Services					Supporting Services		
	Conference	Regional/ Fellowship/ Diversity/ and Awards	Membership and Database	Publications	Total Program Services	General and Administrative	Fundraising	Total
Payroll and related expenses								
Payroll	\$ 28,462	\$ 10,649	\$ 8,737	\$ 20,542	\$ 68,390	\$ 49,659	\$ 40,456	\$ 158,505
Payroll taxes	1,820	681	559	1,313	4,373	6,463	2,587	13,423
Employee benefits	10,249	3,835	3,146	7,397	24,627	17,882	14,569	57,078
Pension	709	265	218	512	1,704	1,237	1,007	3,948
Total Payroll and related expenses	41,240	15,430	12,660	29,764	99,094	75,241	58,619	232,954
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	1,572	611	524	1,136	3,843	369	309	4,521
Marketing and advertising	-	-	-	-	-	6,951	-	6,951
Membership mailing list	-	-	161	-	161	-	-	161
Office supplies	2,815	1,095	938	4,033	8,881	1,723	554	11,158
Postage, shipping and copying	1,747	989	582	2,415	5,733	410	-	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	11,235	4,369	3,745	8,114	27,463	2,636	2,211	32,310
Repairs and maintenance	73	28	24	53	178	18	14	210
Telephone and online fees	5,777	975	480	1,083	8,315	338	283	8,936
Transportation and tour fees	38,395	-	-	-	38,395	-	-	38,395
Travel - Board meetings	6,613	2,572	2,204	4,776	16,165	1,552	1,301	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>\$ 491,861</u>	<u>\$ 69,321</u>	<u>\$ 31,193</u>	<u>\$ 213,466</u>	<u>\$ 805,841</u>	<u>\$ 145,194</u>	<u>\$ 63,291</u>	<u>\$ 1,014,326</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

	Program Services				Supporting Services			Total
	Conference	Regional/ Fellowship/ Diversity/ and Awards	Membership and Database	Publications	Total Program Services	General and Administrative	Fundraising	
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	84,138	34,589	37,163	50,752	206,642	61,016	49,931	317,589
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	2,729	1,112	1,213	1,867	6,921	1,086	554	8,561
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	47,938	-	-	-	47,938	-	-	47,938
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.

STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2011 AND 2010

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2011</u>	<u>2010</u>
Change in net assets	\$(172,553)	\$ 71,688
Adjustment to reconcile change in net assets to net cash (used) provided by operations		
Depreciation and amortization	16,226	16,605
Unrealized loss (gain) on investments	8,617	(22,700)
Realized (gain) loss from sale of investments	(262)	1,715
Loss on disposal of fixed assets	(1,501)	-
Permanently restricted contributions	(4,961)	(3,884)
Decrease (Increase)		
Grants receivable	10,000	(25,000)
Other receivables	(3,995)	3,055
Investment income receivable	550	402
Prepaid expenses	-	(282)
Increase (Decrease)		
Accounts payable and accrued expenses	5,675	3,823
Deferred revenue	182	2,792
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	<u>(142,022)</u>	<u>48,214</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in certificates of deposits	150,755	69,178
Purchase of fixed assets	(2,623)	-
Disposal of fixed assets	5,300	-
Purchase of investments	(269,492)	(370,960)
Proceeds from sale of investments	225,300	367,395
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>109,240</u>	<u>65,613</u>
 CASH FLOWS FROM FINANCING ACTIVITIES		
Permanently restricted contributions	4,961	3,884
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>4,961</u>	<u>3,884</u>
 NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(27,821)	117,711
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>392,625</u>	<u>274,914</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 364,804</u>	<u>\$ 392,625</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, 2011 AND 2010

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, 2011 AND 2010

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 no distributions from the permanently restricted fund for the fiscal years ended December 31, 2011 and 2010.

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, 2011 AND 2010

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 2008.

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, 2011 and 2010:

	<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>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

3 Investments (Continued)

	<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>\$ 232,517</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,517</u>

Investment (loss) income consists of the following:

	<u>2011</u>	<u>2010</u>
Interest and dividends	\$ 6,238	\$ 8,336
Unrealized (loss) gain on investments	(8,617)	22,700
Realized gain (loss) on investments	<u>262</u>	<u>(1,715)</u>
	<u>\$ (2,117)</u>	<u>\$ 29,321</u>

Investments fees were \$300 and \$360 for the years ended December 31, 2011 and 2010, respectively.

4 Fixed Assets

Below is a summary of fixed assets as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Computer Equipment	\$ 33,099	\$ 30,475
Office Equipment	15,586	15,586
Furniture and Fixtures	45,185	45,185
Leasehold Improvements	<u>-</u>	<u>5,300</u>
	93,870	96,546
Less: accumulated depreciation	<u>(91,467)</u>	<u>(91,742)</u>
	<u>\$ 2,403</u>	<u>\$ 4,804</u>

Depreciation expense was \$1,226 and \$1,605 for the years ended December 31, 2011 and 2010, respectively.

5 Grants Receivable

The Organization has grants receivable of \$15,000 and \$25,000 as of December 31, 2011 and 2010, respectively. Management expects that all grants will be collected in full during 2012.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

6 Temporarily Restricted

Temporarily restricted net assets are available for the following purpose as of December 31, 2011 and 2010.

	<u>2011</u>	<u>2010</u>
General Operations	\$ 47,166	\$ 106,583
Mobile Application	-	15,000
Annual Conference	50,000	100,000
Fund for Environmental Journalism	15,000	-
Organizational Effectiveness Project	45,000	-
Marine Issues	10,000	-
Feasibility Study	2,500	-
	<u>\$ 169,666</u>	<u>\$ 221,583</u>

7 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>2011</u>	<u>2010</u>
Program Restriction Accomplished		
Mobile Application	\$ 15,000	\$ -
Annual Conference	100,000	-
Fund for Environmental Journalism	15,000	-
Marine Issues	15,000	-
Watchdog Project	50,000	50,000
Strategic Planning	-	5,592
	<u>\$ 195,000</u>	<u>\$ 55,592</u>
Time Restriction Accomplished		
General operations	<u>\$ 138,917</u>	<u>\$ 269,292</u>

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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

8 Endowment and Board Designated Funds (Continued)

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

The Organization's endowment and board designated net assets had the following activity for the years ended December 31, 2011 and 2010:

	2011		
	Board Designated	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ 41,500	\$ 238,652	\$ 280,152
Investment income (loss)	830	(1,261)	(431)
Contributions to endowment fund	-	4,961	4,961
Spending allowance	(830)	-	(830)
Changes in net assets	-	3,700	3,700
Endowment net assets, end of year	<u>\$ 41,500</u>	<u>\$ 242,352</u>	<u>\$ 283,852</u>
	2010		
	Board Designated	Permanently Restricted	Total
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>

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.

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

8 Endowment and Board Designated Funds (Continued)

Strategies Employed for Achieving Objectives

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

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

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

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

9 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 \$31,020 and \$31,380 for the years ended December 31, 2011 and 2010, respectively.

Future minimum lease payments under existing leases are as follows:

	<u>Equipment</u>	<u>Office Space</u>
2012	\$ 28,573	\$ 2,928
2013	29,483	1,952
2014	17,508	-
	<u>\$ 75,564</u>	<u>\$ 4,880</u>

SOCIETY OF ENVIRONMENTAL JOURNALISTS, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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 \$3,948 and \$6,233 for the years ended December 31, 2011 and 2010, 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 Subsequent Event

The Organization has evaluated all subsequent events through April 4, 2012, the date the financial statements were available to be issued.