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SOCIETY OF PROFESSIONAL JOURNALISTS

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JULY 31, 2016 AND 2015

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GREENWALT<sup>CPAs</sup>

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Society of Professional Journalists:

We have audited the accompanying financial statements of Society of Professional Journalists (the Society), which comprise the statement of financial position as of July 31, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 auditors' 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 position of the Society as of July 31, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Society's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

February 2, 2017

*Greenwald CPAs, Inc.*

**SOCIETY OF PROFESSIONAL JOURNALISTS**

## STATEMENTS OF FINANCIAL POSITION

JULY 31, 2016 AND 2015

<u>ASSETS</u>	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 781,377	\$ 731,688
Due from Sigma Delta Chi Foundation	-	10,821
Accounts receivable	108,195	105,222
Grants receivable	128,000	106,381
Prepaid expenses	61,608	74,316
Investments	420,970	483,521
Other assets	500	500
Property and equipment, net	<u>377,909</u>	<u>396,836</u>
<i>Total assets</i>	<u><u>\$ 1,878,559</u></u>	<u><u>\$ 1,909,285</u></u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>LIABILITIES</b>		
Due to Sigma Delta Chi Foundation	\$ 95,149	\$ -
Accounts payable	98,657	194,246
Accrued payroll and taxes	57,625	46,110
Due to chapters	15,679	14,436
Deferred revenue	<u>218,242</u>	<u>251,838</u>
<i>Total liabilities</i>	<u>485,352</u>	<u>506,630</u>
 <b>COMMITMENTS (NOTE 7)</b>  		
<b>NET ASSETS</b>		
Unrestricted	1,123,229	1,046,427
Board designated endowment (Note 4)	<u>30,000</u>	<u>30,000</u>
<i>Total unrestricted net assets</i>	1,153,229	1,076,427
Temporarily restricted	234,598	326,228
Permanently restricted	<u>5,380</u>	<u>-</u>
<i>Total net assets</i>	<u>1,393,207</u>	<u>1,402,655</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 1,878,559</u></u>	<u><u>\$ 1,909,285</u></u>

See accompanying notes to financial statements.

**SOCIETY OF PROFESSIONAL JOURNALISTS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2016

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2015

	2016			2015	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Grants and contributions	\$ 22,607	\$ 141,817	\$ 5,380	\$ 169,804	\$ 275,157
Membership dues	386,266	-	-	386,266	426,985
Fees	363,064	-	-	363,064	388,465
Advertising	42,373	-	-	42,373	36,090
In-kind legal and accounting services	18,658	-	-	18,658	17,203
Merchandise sales	2,675	-	-	2,675	1,603
Subscriptions	-	-	-	-	10,137
Credit card royalties	20,494	-	-	20,494	28,328
Lease management	25,333	-	-	25,333	27,293
Association management	142,205	-	-	142,205	99,386
Interest and dividends	16,632	-	-	16,632	17,807
Realized loss on investments	(3,080)	-	-	(3,080)	-
Unrealized loss on investments	(2,389)	-	-	(2,389)	(12,726)
Other	420	-	-	420	-
Net assets released from restrictions	233,447	(233,447)	-	-	-
<i>Total revenue, gains, and other support</i>	<u>1,268,705</u>	<u>(91,630)</u>	<u>5,380</u>	<u>1,182,455</u>	<u>1,315,728</u>
<b>EXPENSES</b>					
Program services	1,010,578	-	-	1,010,578	1,207,754
Management and general, excluding in-kind legal and accounting services	162,667	-	-	162,667	121,674
In-kind legal and accounting services	18,658	-	-	18,658	17,203
<i>Total expenses</i>	<u>1,191,903</u>	<u>-</u>	<u>-</u>	<u>1,191,903</u>	<u>1,346,631</u>
<b>CHANGE IN NET ASSETS</b>	76,802	(91,630)	5,380	(9,448)	(30,903)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,076,427</u>	<u>326,228</u>	<u>-</u>	<u>1,402,655</u>	<u>1,433,558</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,153,229</u>	<u>\$ 234,598</u>	<u>\$ 5,380</u>	<u>\$ 1,393,207</u>	<u>\$ 1,402,655</u>

SOCIETY OF PROFESSIONAL JOURNALISTS

STATEMENTS OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2016

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2015

	Program Services								Management and General	2016 Total	2015 Total	
	Association Management	Convention	Communication	Awards	Membership	Legal Defense	Leadership Training	First Amendment Fund				Total Program Services
Salaries and wages	\$ 102,917	\$ 62,276	\$ 99,265	\$ 53,736	\$ 117,313	\$ -	\$ 7,604	\$ -	\$ 443,111	\$ 18,118	\$ 461,229	\$ 502,697
Benefits	13,545	2,449	2,619	2,816	5,739	-	457	-	27,625	5,703	33,328	20,274
Payroll taxes	7,873	5,530	8,582	4,556	10,056	-	691	-	37,288	5,762	43,050	48,154
<i>Total payroll costs</i>	124,335	70,255	110,466	61,108	133,108	-	8,752	-	508,024	29,583	537,607	571,125
Advertising and marketing	393	588	722	409	1,935	-	82	-	4,129	1,544	5,673	5,000
Professional services	1,163	74,577	9,339	12,368	9,285	387	6,857	179	114,155	1,443	115,598	127,407
Bank fees and interest expense	2,231	3,342	4,099	2,322	4,338	22	463	-	16,817	13,457	30,274	27,498
Board related expenditures	4,342	6,506	7,979	4,519	8,444	-	902	-	32,692	28,472	61,164	56,515
Repairs and maintenance	1,967	2,947	3,615	2,047	3,826	-	409	-	14,811	6,645	21,456	20,820
Equipment rental	1,274	1,909	2,418	1,326	2,406	-	265	-	9,598	-	9,598	13,087
Facilities rental	76	114	140	8,764	148	-	14,448	-	23,690	133	23,823	18,934
Depreciation	-	-	-	-	-	-	-	-	-	29,433	29,433	43,374
Insurance	3,302	6,904	8,931	7,684	10,885	-	843	-	38,549	-	38,549	55,842
Office supplies	474	1,143	871	741	922	-	98	496	4,745	411	5,156	6,713
Dues and subscriptions	308	462	580	321	600	-	64	-	2,335	1,890	4,225	3,539
Employee travel	5,311	7,319	3,823	4,239	2,849	-	4,552	-	28,093	7,099	35,192	52,295
Printing and postage	634	7,278	842	15,834	11,921	378	99	2,571	39,557	-	39,557	87,336
Utilities	1,737	2,603	3,192	1,808	3,379	-	361	-	13,080	5,401	18,481	22,797
Contributions and awards	18	27	33	19,715	35	-	4	-	19,832	12,616	32,448	28,975
Legal and accounting	5,111	7,657	9,391	5,319	9,939	10,000	1,062	-	48,479	15,096	63,575	61,848
In-kind legal and accounting services	-	-	-	-	-	-	-	-	-	18,658	18,658	17,203
Events expense	1,151	27,733	2,311	29,543	9,778	-	20,677	36	91,229	8,366	99,595	124,796
Lease management	-	-	-	-	-	-	-	-	-	1,059	1,059	1,052
Miscellaneous	4	740	7	4	7	-	1	-	763	19	782	475
<i>Total functional expenses</i>	<u>\$ 153,831</u>	<u>\$ 222,104</u>	<u>\$ 168,759</u>	<u>\$ 178,071</u>	<u>\$ 213,805</u>	<u>\$ 10,787</u>	<u>\$ 59,939</u>	<u>\$ 3,282</u>	<u>\$ 1,010,578</u>	<u>\$ 181,325</u>	<u>\$ 1,191,903</u>	<u>\$ 1,346,631</u>

**CHANGE IN CASH AND CASH EQUIVALENTS**

	<b>2016</b>	<b>2015</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members and others	\$ 1,094,418	\$ 1,439,309
Cash paid to suppliers and employees	(1,113,317)	(1,193,414)
Investment income	16,632	17,807
	<u>16,632</u>	<u>17,807</u>
<i>Net cash and cash equivalents provided by (used in) operating activities</i>	<u>(2,267)</u>	<u>263,702</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Capital expenditures	(10,506)	(25,213)
Sales and maturities of investments	162,082	-
Purchases of investments	(105,000)	-
	<u>(105,000)</u>	<u>-</u>
<i>Net cash and cash equivalents provided by (used in) investing activities</i>	<u>46,576</u>	<u>(25,213)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received for First Amendment Forever Fund	5,380	-
	<u>5,380</u>	<u>-</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	49,689	238,489
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>731,688</u>	<u>493,199</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 781,377</u>	<u>\$ 731,688</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND  
 CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES

	<u>2016</u>	<u>2015</u>
CHANGE IN NET ASSETS	\$ (9,448)	\$ (30,903)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation expense	29,433	43,374
Realized loss on investments	3,080	-
Unrealized loss on investments	2,389	12,726
Cash received for First Amendment forever Fund	(5,380)	-
<i>(Increase) decrease in operating assets:</i>		
Due from Sigma Delta Chi Foundation	10,821	41,528
Accounts receivable	(2,973)	(58,983)
Grants receivable	(21,619)	209,330
Prepaid expenses	12,708	(339)
<i>Increase (decrease) in operating liabilities:</i>		
Due to Sigma Delta Chi Foundation	95,149	-
Accounts payable	(95,589)	75,703
Accrued payroll and taxes	11,515	4,557
Due to chapters	1,243	(7)
Deferred revenue	(33,596)	(33,284)
<i>Total adjustments</i>	<u>7,181</u>	<u>294,605</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u>\$ (2,267)</u>	<u>\$ 263,702</u>



# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### DESCRIPTION OF ORGANIZATION

The Society of Professional Journalists (the Society) was founded in 1909 and was incorporated in March 1958 under the laws of the State of Illinois. The Society is a national professional organization for journalists, the purpose of which is to aid, encourage, and promote a free press, high professional standards, and ethical behavior in the practice of journalism. The Society's primary services include leadership training, an annual conference and publications to members. Beginning in fiscal year 2012, the Society provided association management services, such as bookkeeping, convention planning, and member services, to fellow journalism associations. The Society's primary sources of support include membership dues and fees, as well as grants.

#### BASIS OF ACCOUNTING AND USE OF ESTIMATES

The accompanying financial statements have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### FINANCIAL STATEMENT PRESENTATION AND SUMMARIZED COMPARATIVE INFORMATION

Under Accounting Standards for the Preparation of Financial Statements of Not-For-Profit Organizations, the Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Society is required to present a statement of cash flows. The Society has unrestricted and temporarily restricted net assets as of July 31, 2016 and 2015.

The financial statements include certain prior year summarized comparative information in total, but not by net asset class and functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles (GAAP). Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended July 31, 2015, from which the summarized information was derived.

#### CASH AND CASH EQUIVALENTS

The Society considers all liquid investments with an original maturity of three months or less to be cash equivalents. Cash equivalents for the Society consist primarily of money market accounts. At July 31, 2016 and 2015, the Society had cash equivalents of \$279,454 and \$209,416, respectively. At July 31, 2016, the Society maintained cash balances in excess of federally insured limits of \$250,000.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### FAIR VALUE MEASUREMENTS AND INVESTMENTS

The Accounting Standards for Fair Value Measurements, which defines fair value as the price that would be received for an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date. These standards also establish a three-level fair value hierarchy for disclosure that prioritizes valuations based on whether the significant inputs used to estimate fair value are observable, giving highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and lowest priority to valuations primarily based on unobservable inputs (level 3 measurements).

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Fair values measured on a recurring basis at July 31 are as follows:

<u>2016</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Mutual funds – bonds	\$ 420,970	\$ 420,970	\$ -	\$ -
Total investments	<u>\$ 420,970</u>	<u>\$ 420,970</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2015</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Investments:				
Certificates of deposit	\$ 100,478	\$ 100,478	\$ -	\$ -
Mutual funds – bonds	<u>398,043</u>	<u>383,043</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 483,521</u>	<u>\$ 483,521</u>	<u>\$ -</u>	<u>\$ -</u>

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### FAIR VALUE MEASUREMENTS AND INVESTMENTS, CONTINUED

The cost basis for these investments was \$434,069 and \$493,803 as of July 31, 2016 and 2015, respectively.

Fair values for investments are determined by reference to quoted market prices and other relevant information generated by market transactions. There have been no changes in the methodologies used to determine fair value since the prior year.

#### ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount billed. Accounts receivable are ordinarily due 30 days after the issuance of an invoice. Delinquent receivables are written off based on individual credit evaluation and specific circumstances. Accounts receivable are considered fully collectible; therefore, no allowance for bad debts has been recorded.

#### PROPERTY AND EQUIPMENT

Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Depreciation is recorded by using the straight-line method over the estimated useful lives of the assets ranging between 3 and 40 years.

#### NET ASSETS

The Society maintains the following classifications of net assets:

##### Unrestricted

These include revenue and expenses from the regular operations of the Society, the uses of which are at the discretion of management and the Board of Directors. At July 31, 2016 and 2015, the Board of Directors has set aside \$30,000 for the purposes of building an endowment to preserve the capital investment of the Society and continue the mission of advocacy. See Note 4.

##### Temporarily Restricted

These include grant revenues used to meet expenses in accordance with restrictions specified by the donors or grantors. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. See Note 5.

##### Permanently Restricted

These consist of contributions held by the Society in which there are donor imposed restrictions limiting the use of the funds or its economic benefit that neither expire with the passage of time nor can be removed by satisfying a specific purpose. See Note 4.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### GRANTS

In accordance with Not-for-Profit Revenue Recognition Accounting Standards, grants are recorded as unrestricted, temporarily restricted, or permanently restricted, depending on the existence or nature of any donor restrictions.

Grants are recognized when the donor makes an unconditional promise to give to the Society and are recorded at their fair values as revenues and assets in the period promised.

#### MEMBERSHIP DUES

Membership dues are recognized as income over the applicable membership period, which is on a member anniversary basis. Therefore, membership dues collected in advance have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue will be substantially recognized during the next fiscal year.

#### CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contribution revenue recognized from contributed services consisted of legal and accounting services which have been reflected in the statements of activities as an expense and an offsetting amount of income. For the fiscal years 2016 and 2015, these contributed services amounted to \$18,658 and \$17,203, respectively.

#### EXPENSE ALLOCATION

Expenses have been classified as program services and management and general based on the actual direct expenditures and cost allocations based upon estimates of time spent by the Society personnel.

#### ADVERTISING EXPENSE

The Society incurred \$5,673 and \$5,000 in advertising expense for the fiscal years 2016 and 2015, respectively. These costs were expensed as incurred.

#### TAX STATUS

The Society is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. However, the Society has advertising income and association management fees that are subject to unrelated business income tax. There was no tax liability at July 31, 2016 and 2015.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 2, 2017, which is the date the financial statements were available to be issued.

### 2. GRANTS RECEIVABLE

Grants receivable, due within one year at July 31, were unrestricted and temporarily restricted for specific purposes and are as follows:

	<u>2016</u>	<u>2015</u>
Unrestricted grants receivable	\$ -	\$ 3,561
Google training	100,000	-
SDX Foundation – National Convention	28,000	85,000
SDX Foundation – Region 7 Fellowships	-	8,500
SDX Foundation – Diversity Committee	-	9,320
	<u>\$ 128,000</u>	<u>\$ 106,381</u>

### 3. PROPERTY AND EQUIPMENT

The Society's property and equipment as of July 31 are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 10,915	\$ 10,915
Building	534,948	534,948
Furnishings and equipment	620,926	610,421
	1,166,789	1,156,284
Accumulated depreciation	(788,880)	(759,448)
	<u>\$ 377,909</u>	<u>\$ 396,836</u>

### 4. FIRST AMENDMENT FOREVER FUND (FOREVER FUND)

The Forever Fund is a permanent endowment for press advocacy. The principal amount of gifts made to the endowment will remain permanently intact, with any investment income earned on the principal to be used for advocacy and defense of press freedom. In fiscal year 2015, the Society invested \$30,000 of unrestricted net assets and \$75,000 from the Legal Defense Fund in the Forever Fund. The Legal Defense Fund investment is temporarily restricted for the purpose of aiding journalists in defending the freedom of speech and press guaranteed by the First Amendment of the United States Constitution. As required by Generally Accepted Accounting Principles (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 4. FIRST AMENDMENT FOREVER FUND (FOREVER FUND), CONTINUED

#### INTERPRETATION OF RELEVANT LAW

The Board of Directors of the Society has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the historic dollar value of the original gift as of the gift date absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Society classifies as permanently restricted net assets the original value of gifts donated to the permanent endowment. In accordance with SPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate Board designated endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Society and the endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Society
- (7) The investment policies of the Society

Changes in Forever Fund Net Assets for the Years Ended July 31:

<u>2016</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ 30,000	\$ 75,000	\$ -	\$ 105,000
Appreciation	-	1,541	-	1,541
Contributions	-	-	5,380	5,380
Appropriations of net assets for expenditures	-	(3,282)	-	(3,282)
Forever Fund net assets, end of year	\$ 30,000	\$ 73,259	\$ 5,380	\$ 108,639

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2016 AND 2015

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### 4. FIRST AMENDMENT FOREVER FUND (FOREVER FUND), CONTINUED

<u>2015</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ -	\$ -	\$ -
Board-designated contributions	30,000	-	30,000
Restricted contributions	-	75,000	75,000
Forever Fund net assets, end of year	<u>\$ 30,000</u>	<u>\$ 75,000</u>	<u>\$ 105,000</u>

#### FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with Board designated endowment funds may fall below the level that the donor or SPMIFA requires the Society to retain as a fund of perpetual duration. In accordance with GAAP, these deficiencies would be reported in unrestricted net assets. There were no deficiencies of this nature as of July 31, 2016.

#### RETURN OBJECTIVES AND RISK PARAMETERS

The Society has adopted investment policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its Board designated endowment while seeking to maintain the purchasing power of the endowment assets. Board designated endowment assets include future Board designations and any assets of donor-restricted funds that the Society must hold in perpetuity.

#### STRATEGIES EMPLOYED FOR ACHIEVING OBJECTIVES

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through current yield (interest and dividends) and capital appreciation realized and unrealized gain or loss.

#### SPENDING POLICY AND HOW THE INVESTMENT OBJECTIVES RELATE TO SPENDING POLICY

The Society has adopted a spending policy that allows the spending of earnings only for programs and services as deemed by the Board of Directors or donor restriction.

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### 5. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of July 31:

	<u>2016</u>	<u>2015</u>
Excellence in Journalism National Convention	\$ 74,335	\$ 154,167
Chapter Education Grants	-	396
Region 7	700	9,202
Diversity Leadership Program	4,004	9,320
Advocacy:		
Legal Defense Fund	82,300	78,143
Forever Fund	73,259	75,000
	<u>\$ 234,598</u>	<u>\$ 326,228</u>

### 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the year ended July 31 by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donor.

	<u>2016</u>	<u>2015</u>
Purpose restrictions accomplished:		
Mark of Excellence Awards	\$ -	\$ 27,201
Convention Sponsorships	-	37,000
Excellence in Journalism National Convention	154,167	85,000
Chapter Education Grants	396	4,353
Region 7	8,500	1,916
Diversity Leadership Program	5,316	8,510
Scripps Leadership Institute	51,000	50,000
SPJ Training Place	-	191,585
Advocacy:		
Legal Defense Fund	10,786	2,932
Forever Fund	3,282	-
	<u>\$ 233,447</u>	<u>\$ 408,497</u>



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### 7. LEASES

The Society leases a copier for monthly payments of \$275 through 2021 and a mail machine for quarterly payments starting at \$402 for the first two payments and \$528 for the remainder of the lease through October 2017. Total rental expense and associated equipment fees for fiscal years 2016 and 2015 were \$9,598 and \$13,087, respectively.

The future minimum lease payments are as follows for the years ending July 31:

2017	\$	5,385
2018		3,802
2019		3,274
2020		3,274
2021		2,456
		<hr/>
	\$	18,191
		<hr/> <hr/>

The Society subleased the second floor of their building. The lease expired in 2016. Lease income was \$50,666 and \$54,586 for the fiscal years 2016 and 2015, respectively, and is shared equally between the Society and the Foundation (See Note 9). During fiscal year 2016, the tenant vacated the space. The Society entered into a note receivable for back rent (See Note 8).

### 8. NOTE RECEIVABLE

In 2016, the Society entered into a note receivable with a former tenant. The note requires monthly payments of \$2,000, beginning in November 2016 with a final payment of \$6,432 and expires in December 2017.

Future minimum payments are as follows for the years ending in July 30:

2017	\$	18,000
2018		14,432
		<hr/>
	\$	32,432
		<hr/> <hr/>

### 9. RELATED PARTY TRANSACTIONS

The Society is closely associated with the Sigma Delta Chi Foundation (the Foundation). The Board of Directors of the Society elects some of the members of the Board of Directors of the Foundation and the two organizations have certain common board members. The Society provides employees and services to the Foundation for which the Society is reimbursed. The Foundation and the Society also share ownership of the Society's headquarters facilities.

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### 9. RELATED PARTY TRANSACTIONS, CONTINUED

The Foundation contributed \$102,320 and \$116,782 to the Society during fiscal years 2016 and 2015, respectively, to further the Society's and the Foundation's exempt purposes. At July 31, 2016, the Society owed the Foundation \$95,149 for contributions received by the Society for purposes of the Foundation's mission. At July 31, 2015, the Foundation owed the Society \$10,821 for various expenses paid and services rendered on its behalf. For fiscal years 2016 and 2015, the Society recorded \$464,200 and \$237,420, respectively, in reimbursements from the Foundation.

### 10. EMPLOYEE BENEFITS

The Society has a 401(k) defined contribution plan for the benefit of substantially all of its employees, which allows for both employee and employer contributions. The Society's contribution is discretionary. The Society can match up to 6% of an eligible employee's compensation. The Society made contributions to the plan of \$21,696 and \$20,274 during fiscal years 2016 and 2015, respectively.