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SOCIETY OF PROFESSIONAL JOURNALISTS

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JULY 31, 2018 AND 2017

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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, 2018, 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, 2018, 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 fiscal year 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Greenwald CPAs, Inc.*

February 25, 2019

**SOCIETY OF PROFESSIONAL JOURNALISTS**  
**STATEMENTS OF FINANCIAL POSITION**  
**JULY 31, 2018 AND 2017**

<u>ASSETS</u>	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 209,236	\$ 662,932
Due from Sigma Delta Chi Foundation	467,052	35,507
Accounts receivable	184,047	107,384
Grants receivable	-	200,000
Prepaid expenses	31,921	69,046
Investments	594,841	550,597
Other assets	500	500
Property and equipment, net	<u>350,202</u>	<u>360,247</u>
<i>Total assets</i>	<u>\$ 1,837,799</u>	<u>\$ 1,986,213</u>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>LIABILITIES</b>		
Accounts payable	\$ 110,412	\$ 245,576
Accrued payroll and taxes	70,934	50,532
Due to chapters	26,347	16,095
Deferred revenue	<u>231,817</u>	<u>287,315</u>
<i>Total liabilities</i>	<u>439,510</u>	<u>599,518</u>
 <b>COMMITMENTS (NOTES 7 AND 10)</b>  		
<b>NET ASSETS</b>		
Unrestricted	934,619	966,079
Board designated endowment (Note 4)	<u>81,578</u>	<u>81,578</u>
<i>Total unrestricted net assets</i>	1,016,197	1,047,657
Temporarily restricted	348,657	321,890
Permanently restricted	<u>33,435</u>	<u>17,148</u>
<i>Total net assets</i>	<u>1,398,289</u>	<u>1,386,695</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,837,799</u>	<u>\$ 1,986,213</u>

**SOCIETY OF PROFESSIONAL JOURNALISTS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2017

	2018			2017	
	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL	TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>					
Grants and contributions	\$ 105,280	\$ 213,691	\$ 10,389	\$ 329,360	\$ 281,675
Membership dues	382,671	-	-	382,671	400,443
Fees	383,783	-	-	383,783	315,441
Advertising	26,953	-	-	26,953	24,696
In-kind	97,562	-	5,898	103,460	13,874
Merchandise sales	2,545	-	-	2,545	2,100
Credit card royalties	19,249	-	-	19,249	21,338
Lease management	22,053	-	-	22,053	-
Association management	149,114	-	-	149,114	115,653
Interest and dividends	18,374	3,434	-	21,808	16,302
Realized loss on investments	(613)	-	-	(613)	-
Unrealized gain (loss) on investments	(2,022)	10,191	-	8,169	25,851
Other	5,308	-	-	5,308	-
Net assets released from restrictions	200,549	(200,549)	-	-	-
<i>Total revenue, gains, and other support</i>	<u>1,410,806</u>	<u>26,767</u>	<u>16,287</u>	<u>1,453,860</u>	<u>1,217,373</u>
<b>EXPENSES</b>					
Program services	1,102,279	-	-	1,102,279	1,000,208
Management and general, excluding					
in-kind services	242,425	-	-	242,425	209,803
In-kind services	97,562	-	-	97,562	13,874
<i>Total expenses</i>	<u>1,442,266</u>	<u>-</u>	<u>-</u>	<u>1,442,266</u>	<u>1,223,885</u>
<b>CHANGE IN NET ASSETS</b>	(31,460)	26,767	16,287	11,594	(6,512)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,047,657</u>	<u>321,890</u>	<u>17,148</u>	<u>1,386,695</u>	<u>1,393,207</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,016,197</u>	<u>\$ 348,657</u>	<u>\$ 33,435</u>	<u>\$ 1,398,289</u>	<u>\$ 1,386,695</u>

SOCIETY OF PROFESSIONAL JOURNALISTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2018

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2017

	Program Services							Total Program Services	Management and General	2018 Total	2017 Total
	Association Management	Convention	Communication	Awards	Membership	Legal Defense	Leadership Training				
Salaries and wages	\$ 81,474	\$ 82,582	\$ 94,035	\$ 58,435	\$ 88,493	\$ -	\$ 10,581	\$ 415,600	\$ 53,261	\$ 468,861	\$ 481,811
Benefits	3,311	3,939	3,398	3,234	2,122	-	303	16,307	2,744	19,051	23,774
Payroll taxes	7,398	7,373	8,317	5,270	7,670	-	938	36,966	6,891	43,857	44,295
<i>Total payroll costs</i>	92,183	93,894	105,750	66,939	98,285	-	11,822	468,873	62,896	531,769	549,880
Advertising and marketing	338	382	346	427	555	-	269	2,317	806	3,123	11,505
Professional services	17,870	73,145	9,574	8,761	4,687	98	6,199	120,334	14,927	135,261	110,067
Bank fees and interest expense	3,450	3,347	3,613	2,302	3,205	-	444	16,361	12,539	28,900	31,761
Board related expenditures	7,173	6,471	7,575	4,769	6,766	-	911	33,665	25,439	59,104	56,756
Repairs and maintenance	3,407	3,257	3,650	2,317	3,297	-	422	16,350	9,873	26,223	23,953
Equipment rental	5,968	5,779	6,268	3,977	5,575	-	765	28,332	5,697	34,029	22,282
Facilities rental	181	169	202	3,265	188	-	11,948	15,953	4,626	20,579	27,172
Depreciation	-	-	-	-	-	-	-	-	26,226	26,226	28,388
Insurance	6,776	11,302	8,245	9,135	9,032	-	637	45,127	4,415	49,542	43,100
Office supplies	1,128	3,731	882	567	778	46	149	7,281	522	7,803	6,821
Dues and subscriptions	523	493	626	342	525	-	62	2,571	450	3,021	3,384
Employee travel	8,036	18,219	4,820	11,334	5,067	-	2,592	50,068	9,622	59,690	19,055
Printing and postage	721	6,440	205	12,908	9,940	646	27	30,887	3,327	34,214	36,269
Utilities	2,925	2,848	3,045	1,956	2,689	-	381	13,844	4,531	18,375	17,567
Contributions and awards	6	2,880	6	34,787	5	1,700	1	39,385	5,642	45,027	29,637
Legal and accounting	7,019	6,769	7,420	4,665	6,632	28,255	890	61,650	25,087	86,737	73,495
In-kind services	-	-	-	-	-	-	-	-	97,562	97,562	13,874
Events	1,973	83,251	1,392	36,161	1,501	-	24,319	148,597	6,469	155,066	115,384
Lease management	-	-	-	-	-	-	-	-	20,996	20,996	403
Interest expense	-	-	-	-	-	-	-	-	355	355	-
Miscellaneous	168	78	80	253	69	-	36	684	(2,020)	(1,336)	3,132
<i>Total functional expenses</i>	<u>\$ 159,845</u>	<u>\$ 322,455</u>	<u>\$ 163,699</u>	<u>\$ 204,865</u>	<u>\$ 158,796</u>	<u>\$ 30,745</u>	<u>\$ 61,874</u>	<u>\$ 1,102,279</u>	<u>\$ 339,987</u>	<u>\$ 1,442,266</u>	<u>\$ 1,223,885</u>

**DECREASE IN CASH AND CASH EQUIVALENTS**

	<b><u>2018</u></b>	<b><u>2017</u></b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members and others	\$ 948,599	\$ 1,109,806
Cash paid to suppliers and employees	(1,387,166)	(1,141,819)
Interest expense	(355)	-
Investment income	<u>21,808</u>	<u>16,302</u>
<i>Net cash and cash equivalents used in operating activities</i>	<u>(417,114)</u>	<u>(15,711)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(16,181)	(10,726)
Purchases of investments	<u>(30,790)</u>	<u>(103,776)</u>
<i>Net cash and cash equivalents used in investing activities</i>	<u>(46,971)</u>	<u>(114,502)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received for First Amendment Forever Fund	<u>10,389</u>	<u>11,768</u>
<b>DECREASE IN CASH AND CASH EQUIVALENTS</b>	(453,696)	(118,445)
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<u>662,932</u>	<u>781,377</u>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<u>\$ 209,236</u>	<u>\$ 662,932</u>
<b>SCHEDULE OF NONCASH INVESTING ACTIVITIES</b>		
Receipt of in-kind stock donation	<u>\$ 5,898</u>	<u>\$ -</u>

RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH AND  
 CASH EQUIVALENTS USED IN OPERATING ACTIVITIES

	<u>2018</u>	<u>2017</u>
CHANGE IN NET ASSETS	\$ 11,594	\$ (6,512)
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES		
Depreciation expense	26,226	28,388
Realized loss on investments	613	-
Unrealized gain on investments	(8,169)	(25,851)
Donated stock	(5,898)	-
Cash received for First Amendment Forever Fund	(10,389)	(11,768)
<i>(Increase) decrease in operating assets:</i>		
Due from Sigma Delta Chi Foundation	(431,545)	(35,507)
Accounts receivable	(76,663)	811
Grants receivable	200,000	(100,000)
Prepaid expenses	37,125	(7,438)
<i>Increase (decrease) in operating liabilities:</i>		
Due to Sigma Delta Chi Foundation	-	(67,149)
Accounts payable	(135,164)	146,919
Accrued payroll and taxes	20,402	(7,093)
Due to chapters	10,252	416
Deferred revenue	(55,498)	69,073
<i>Total adjustments</i>	<u>(428,708)</u>	<u>(9,199)</u>
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	<u>\$ (417,114)</u>	<u>\$ (15,711)</u>



# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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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, association management, and grants and contributions.

#### 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, temporarily restricted, and permanently restricted net assets as of July 31, 2018 and 2017.

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, 2017, 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, 2018 and 2017, the Society had cash equivalents of \$44,618 and \$108,177, respectively. At July 31, 2017, the Society maintained cash balances in excess of federally insured limits of \$250,000 by approximately \$383,000.

**SOCIETY OF PROFESSIONAL JOURNALISTS**

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

**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>2018</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 – equities	\$ 397,510	\$ 397,510	\$ -	\$ -
Mutual funds – bonds	197,331	197,331	-	-
Total investments	<u>\$ 594,841</u>	<u>\$ 594,841</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2017</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	\$ 422,829	\$ 422,829	\$ -	\$ -
Mutual funds – bonds	127,768	127,768	-	-
Total investments	<u>\$ 550,597</u>	<u>\$ 550,597</u>	<u>\$ -</u>	<u>\$ -</u>

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

#### FAIR VALUE MEASUREMENTS AND INVESTMENTS, CONTINUED

The cost basis for these investments was \$573,921 and \$537,845 as of July 31, 2018 and 2017, 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. Donated items are recorded at fair market value on the date of receipt. The Society capitalizes additions of property and equipment in excess of \$1,000 cost or fair market value, if donated. Depreciation is recorded by using the straight-line method over the estimated useful lives of the assets ranging between 3 and 40 years. Repairs and maintenance costs are expensed in the period incurred.

#### 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. The Board of Directors has set aside \$81,578 at July 31, 2018 and 2017 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.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

#### 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.

#### GRANTS AND CONTRIBUTIONS

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

Grants and contributions 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 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 2018 and 2017, these contributed services amounted to \$97,562 and \$13,874, 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 \$3,123 and \$11,505 in advertising and marketing expense for the fiscal years 2018 and 2017, respectively. These costs were expensed as incurred.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

#### 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. Contributions to the Society are not tax deductible. There was no tax liability at July 31, 2018 and 2017.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through February 25, 2019, 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>2018</u>	<u>2017</u>
Google Training	\$ -	\$ 200,000
SDX Foundation – National Convention (included in amounts due from Sigma Delta Chi Foundation)	<u>78,000</u>	<u>63,000</u>
	<u>\$ 78,000</u>	<u>\$ 263,000</u>

### 3. PROPERTY AND EQUIPMENT

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

	<u>2018</u>	<u>2017</u>
Land	\$ 10,915	\$ 10,915
Building	534,948	534,948
Furnishings and equipment	<u>647,832</u>	<u>631,651</u>
	1,193,695	1,177,514
Accumulated depreciation	<u>(843,493)</u>	<u>(817,267)</u>
	<u>\$ 350,202</u>	<u>\$ 360,247</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. 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

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

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.

#### 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>2018</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ 81,578	\$ 92,088	\$ 17,148	\$ 190,814
Appreciation	-	13,625	-	13,625
Contributions	-	-	16,287	16,287
Forever Fund net assets, end of year	<u>\$ 81,578</u>	<u>\$ 105,713</u>	<u>\$ 33,435</u>	<u>\$ 220,726</u>

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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

<u>2017</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ 30,000	\$ 73,259	\$ 5,380	\$ 108,639
Appreciation	-	19,367	-	19,367
Contributions	51,578	-	11,768	63,346
Appropriations of net assets for expenditures	-	(538)	-	(538)
Forever Fund net assets, end of year	<u>\$ 81,578</u>	<u>\$ 92,088</u>	<u>\$ 17,148</u>	<u>\$ 190,814</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, 2018 or 2017.

#### 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.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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### 5. TEMPORARILY RESTRICTED NET ASSETS

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

	<u>2018</u>	<u>2017</u>
Excellence in Journalism National Convention	\$ 141,000	\$ 129,750
Louisiana Chapter	682	357
Region 7	645	-
Diversity Leadership Program	4,004	4,004
Advocacy:		
Legal Defense Fund	96,613	95,691
Forever Fund	105,713	92,088
	<u>\$ 348,657</u>	<u>\$ 321,890</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>2018</u>	<u>2017</u>
Purpose restrictions accomplished:		
Louisiana Chapter	\$ 54	\$ 21
Excellence in Journalism National Convention	119,750	46,333
Region 7	-	704
Scripps Leadership Institute	50,000	-
Advocacy:		
Legal Defense Fund	30,745	19,715
Forever Fund	-	538
	<u>\$ 200,549</u>	<u>\$ 67,311</u>



# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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### 7. LEASES

The Society leases a copier for monthly payments of \$273 through April 2021 and leased a mail machine with quarterly payments starting at \$402 for the first two payments and \$528 through the remainder of the lease through October 2017. A new mail machine lease was entered into in July 2017 for quarterly payments of \$528 through October 2022. Total rental expense and associated equipment fees for fiscal years 2018 and 2017 were \$34,029 and \$22,282, respectively.

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

2019	\$	5,385
2020		5,385
2021		4,567
2022		2,111
2023		528
		<hr/>
	\$	17,976
		<hr/> <hr/>

The Society began leasing the first floor of their building in November 2018. The lease expires in 2022 and requires even monthly payments of \$3,852 with three months of rent forgiveness to the tenant. In fiscal year 2018, there was lease income of \$44,106 that was shared equally between the Society and Foundation (see Note 8). There was no lease income for fiscal 2017. The lease income has been recorded on the straight-line basis for financial reporting purposes.

The future minimum sublease receipts to be shared equally between the Society and Foundation are as follows for the years ending July 31:

2019	\$	46,224
2020		46,224
2021		46,224
2022		46,224
2023		11,556
		<hr/>
	\$	196,452
		<hr/> <hr/>

### 8. 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. The Foundation contributed \$43,000 and \$35,000 to the Society during fiscal years 2018 and 2017, respectively, to further the Society's and the Foundation's exempt purposes. At July 31, 2018, the Foundation owed the Society \$389,052 and \$35,507 for various expenses paid and services rendered on its behalf, respectively. At July 31, 2018, the Foundation had grants payable to the Society of \$78,000.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

JULY 31, 2018 AND 2017

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### 8. RELATED PARTY TRANSACTIONS, CONTINUED

For fiscal years 2018 and 2017, the Society recorded \$615,345 and \$615,315, respectively, in reimbursements from the Foundation.

### 9. 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 \$19,051 and \$23,774 during fiscal years 2018 and 2017, respectively.

### 10. FUTURE COMMITMENTS

During fiscal year 2017, the Society entered into a three-year software licensing agreement through July 2020. Future commitments under this agreement are as follows for the years ending July 31:

2019	\$	10,024
2020		<u>10,024</u>
	\$	<u><u>20,048</u></u>