
SOCIETY OF PROFESSIONAL JOURNALISTS

FINANCIAL STATEMENTS

Together with Independent Auditors' Report

JULY 31, 2019 AND 2018

GREENWALT CPAs

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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, 2019, 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, 2019, 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 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 25, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended July 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Greenwald CPAs, Inc.

April 11, 2020

SOCIETY OF PROFESSIONAL JOURNALISTS
STATEMENTS OF FINANCIAL POSITION
JULY 31, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 351,372	\$ 209,236
Due from Society of Professional Journalists Foundation	181,997	317,052
Accounts receivable	321,016	184,047
Grants receivable	-	150,000
Prepaid expenses	92,777	31,921
Investments	581,174	594,841
Other assets	500	500
Property and equipment, net	<u>339,566</u>	<u>350,202</u>
<i>Total assets</i>	<u><u>\$ 1,868,402</u></u>	<u><u>\$ 1,837,799</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 315,003	\$ 110,412
Accounts payable - related party	6,924	-
Accrued payroll and taxes	85,679	70,934
Due to chapters	28,102	26,347
Deferred revenue	<u>293,903</u>	<u>231,817</u>
<i>Total liabilities</i>	<u>729,611</u>	<u>439,510</u>

COMMITMENTS (NOTES 8 AND 11)

NET ASSETS

Without donor restrictions:		
Undesignated	660,176	934,619
Board designated endowment (Note 5)	<u>81,578</u>	<u>81,578</u>
<i>Total net assets without donor restrictions</i>	741,754	1,016,197
With donor restrictions	<u>397,037</u>	<u>382,092</u>
<i>Total net assets</i>	<u>1,138,791</u>	<u>1,398,289</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 1,868,402</u></u>	<u><u>\$ 1,837,799</u></u>

SOCIETY OF PROFESSIONAL JOURNALISTS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JULY 31, 2019

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2018

	<u>2019</u>			<u>2018</u>
	<u>WITHOUT DONOR RESTRICTIONS</u>	<u>WITH DONOR RESTRICTIONS</u>	<u>TOTAL</u>	<u>TOTAL</u>
REVENUE, GAINS, AND OTHER SUPPORT				
Grants and contributions	\$ 23,344	\$ 215,365	\$ 238,709	\$ 329,360
Membership dues	328,658	-	328,658	382,671
Fees	332,437	-	332,437	383,783
Advertising	27,348	-	27,348	26,953
In-kind	78,000	-	78,000	103,460
Merchandise sales	1,968	-	1,968	2,545
Credit card royalties	20,537	-	20,537	19,249
Lease management	22,101	-	22,101	22,053
Association management	76,690	-	76,690	149,114
Interest and dividends, net of fees	20,741	7,403	28,144	20,974
Realized loss on investments	-	-	-	(613)
Unrealized gain (loss) on investments	(5,894)	(15,154)	(21,048)	8,169
Other	979	-	979	5,308
Net assets released from restrictions	192,669	(192,669)	-	-
	<u>1,119,578</u>	<u>14,945</u>	<u>1,134,523</u>	<u>1,453,026</u>
<i>Total revenue, gains, and other support</i>				
EXPENSES				
Program services	1,068,495	-	1,068,495	1,102,281
Management and general, excluding in-kind services	247,526	-	247,526	241,589
In-kind services	78,000	-	78,000	97,562
	<u>1,394,021</u>	<u>-</u>	<u>1,394,021</u>	<u>1,441,432</u>
<i>Total expenses</i>				
CHANGE IN NET ASSETS	(274,443)	14,945	(259,498)	11,594
NET ASSETS, BEGINNING OF YEAR	<u>1,016,197</u>	<u>382,092</u>	<u>1,398,289</u>	<u>1,386,695</u>
NET ASSETS, END OF YEAR	<u>\$ 741,754</u>	<u>\$ 397,037</u>	<u>\$ 1,138,791</u>	<u>\$ 1,398,289</u>

SOCIETY OF PROFESSIONAL JOURNALISTS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JULY 31, 2019

WITH SUMMARIZED COMPARATIVE INFORMATION FOR THE YEAR ENDED JULY 31, 2018

	Program Services								Total Program Services	Management and General	2019 Total	2018 Total
	Association Management	Convention	Communication	Awards	Membership	First Amendment Forever Fund	Legal Defense	Leadership Training				
Salaries and wages	\$ 115,255	\$ 93,448	\$ 100,185	\$ 71,759	\$ 65,393	\$ -	\$ -	\$ 3,274	\$ 449,314	\$ 82,054	\$ 531,368	\$ 468,861
Benefits	9,938	11,629	8,743	9,186	7,050	-	-	3,194	49,740	14,398	64,138	58,467
Payroll taxes	10,007	8,326	8,760	5,737	5,787	-	-	289	38,906	9,087	47,993	43,857
<i>Total payroll costs</i>	135,200	113,403	117,688	86,682	78,230	-	-	6,757	537,960	105,539	643,499	571,185
Advertising and marketing	1,482	5,079	1,413	1,040	973	-	-	59	10,046	(4,426)	5,620	3,123
Professional services	3,861	23,130	8,155	4,219	4,000	-	-	1,199	44,564	9,275	53,839	135,261
Bank fees and interest expense	2,618	3,168	2,497	2,108	1,618	75	75	104	12,263	9,468	21,731	28,066
Board related expenditures	4,850	9,809	4,625	3,405	3,185	-	-	192	26,066	26,070	52,136	59,104
Repairs and maintenance	5,708	6,207	5,442	4,007	3,748	-	-	226	25,338	(5,705)	19,633	26,223
Equipment rental	4,586	5,221	4,373	3,636	3,012	-	-	181	21,009	1,728	22,737	34,029
Facilities rental	-	-	-	-	-	-	-	-	-	5,968	5,968	20,579
Depreciation	-	-	-	-	-	-	-	-	-	24,357	24,357	26,226
Insurance	1,390	1,505	1,311	900	913	-	-	55	6,074	2,891	8,965	10,126
Office supplies	770	988	734	595	505	-	-	30	3,622	(969)	2,653	7,803
Dues and subscriptions	738	799	703	518	869	-	-	29	3,656	753	4,409	3,021
Employee travel	8,819	17,952	3,866	4,860	2,695	-	-	179	38,371	9,929	48,300	59,690
Printing and postage	2,713	4,040	1,287	12,442	1,935	-	-	330	22,747	4,939	27,686	34,214
Utilities	3,896	4,218	3,715	2,736	2,559	-	-	154	17,278	3,863	21,141	18,375
Contributions and awards	997	4,964	951	29,053	1,265	-	-	39	37,269	7,643	44,912	45,027
Legal and accounting	5,883	6,369	5,609	4,130	3,864	-	22,929	233	49,017	40,695	89,712	86,737
In-kind services	-	-	-	-	-	-	-	-	-	78,000	78,000	97,562
Events	419	175,419	400	25,310	275	-	-	8,300	210,123	3,701	213,824	155,066
Lease management	58	62	55	40	38	-	-	2	255	1,027	1,282	20,996
Interest expense	-	-	-	-	-	-	-	-	-	-	-	355
Miscellaneous	-	2,723	-	-	-	-	-	114	2,837	780	3,617	(1,336)
<i>Total functional expenses</i>	<u>\$ 183,988</u>	<u>\$ 385,056</u>	<u>\$ 162,824</u>	<u>\$ 185,681</u>	<u>\$ 109,684</u>	<u>\$ 75</u>	<u>\$ 23,004</u>	<u>\$ 18,183</u>	<u>\$ 1,068,495</u>	<u>\$ 325,526</u>	<u>\$ 1,394,021</u>	<u>\$ 1,441,432</u>

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members and others	\$ 1,232,601	\$ 948,599
Cash paid to suppliers and employees	(1,103,457)	(1,386,332)
Cash paid for interest	-	(355)
Investment income, net of fees	28,144	20,974
	<u>28,144</u>	<u>20,974</u>
<i>Net cash and cash equivalents provided by (used in) operating activities</i>	<u>157,288</u>	<u>(417,114)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(13,721)	(16,181)
Purchases of investments	(7,381)	(30,790)
	<u>(7,381)</u>	<u>(30,790)</u>
<i>Net cash and cash equivalents used in investing activities</i>	<u>(21,102)</u>	<u>(46,971)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash received for First Amendment Forever Fund	5,950	10,389
	<u>5,950</u>	<u>10,389</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	142,136	(453,696)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>209,236</u>	<u>662,932</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 351,372</u>	<u>\$ 209,236</u>
SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Receipt of in-kind stock donation	<u>\$ -</u>	<u>\$ 5,898</u>

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

	<u>2019</u>	<u>2018</u>
CHANGE IN NET ASSETS	<u>\$ (259,498)</u>	<u>\$ 11,594</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Depreciation expense	24,357	26,226
Realized loss on investments	-	613
Unrealized (gain) loss on investments	21,048	(8,169)
Donated stock	-	(5,898)
Cash received for First Amendment Forever Fund	(5,950)	(10,389)
<i>(Increase) decrease in operating assets:</i>		
Due from Society of Professional Journalists Foundation	135,055	(281,545)
Accounts receivable	(136,969)	(76,663)
Grants receivable	150,000	50,000
Prepaid expenses	(60,856)	37,125
<i>Increase (decrease) in operating liabilities:</i>		
Accounts payable and accounts payable - related party	211,515	(135,164)
Accrued payroll and taxes	14,745	20,402
Due to chapters	1,755	10,252
Deferred revenue	62,086	(55,498)
<i>Total adjustments</i>	<u>416,786</u>	<u>(428,708)</u>
NET CASH AND CASH EQUIVALENTS PROVIDED BY (USED IN) OPERATING ACTIVITIES	<u><u>\$ 157,288</u></u>	<u><u>\$ (417,114)</u></u>

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

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 has 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, 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.

SUMMARIZED COMPARATIVE INFORMATION

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, 2018, 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, 2019 and 2018, the Society had cash equivalents of \$48,208 and \$44,618 respectively. At July 31, 2019, the Society maintained cash balances in excess of federally insured (FDIC) limits of \$250,000 by approximately \$286,000.

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.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

FAIR VALUE MEASUREMENTS AND INVESTMENTS, CONTINUED

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

<u>2019</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	\$ 188,616	\$ 188,616	\$ -	\$ -
Mutual funds – bonds	<u>392,558</u>	<u>392,558</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 581,174</u>	<u>\$ 581,174</u>	<u>\$ -</u>	<u>\$ -</u>

<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	<u>197,331</u>	<u>197,331</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 594,841</u>	<u>\$ 594,841</u>	<u>\$ -</u>	<u>\$ -</u>

The cost basis for these investments was \$581,302 and \$573,921 as of July 31, 2019 and 2018, 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.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 \$2,500 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:

WITHOUT DONOR RESTRICTIONS

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, 2019 and 2018 for the purposes of building an endowment to preserve the capital investment of the Society and continue the mission of advocacy. See Note 5.

WITH DONOR RESTRICTIONS

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, net assets with donor restrictions are released to net assets without donor restrictions and reported in the Statement of Activities as net assets released from restrictions.

A portion of net assets with donor restrictions has donor imposed restrictions limiting the use of the assets or its economic benefit that neither expire with the passage of time nor can be removed by satisfying a specific purpose. See Notes 5 and 6.

GRANTS AND CONTRIBUTIONS

In accordance with Not-for-Profit Revenue Recognition Accounting Standards, grants and contributions are recorded as with donor restrictions or without donor restrictions, 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 of the membership period have been included in deferred revenue in the accompanying statement of financial position. Such deferred revenue will be recognized during the next fiscal year.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 services which have been reflected in the statements of activities as an expense and an offsetting amount of income. For the fiscal years 2019 and 2018, these contributed services amounted to \$78,000 and \$97,562, respectively. For fiscal year 2018, there was also donated stock of \$5,898, which was liquidated for cash after receipt.

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 \$5,620 and \$3,123 in advertising and marketing expense for the fiscal years 2019 and 2018, 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. Contributions to the Society are not tax deductible. There was no tax liability at July 31, 2019 and 2018.

SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through April 11, 2020, which is the date the financial statements were available to be issued.

NEW ACCOUNTING PRONOUNCEMENT

Effective June 30, 2019, the Society has adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addressed the complexity and understandability of net asset classification by reducing the three categories of unrestricted, temporarily restricted, and permanently restricted to two, net assets with and without donor restrictions. Also, the update required investment expenses to be netted with revenue. In addition, the update requires a new disclosure regarding liquidity and the availability of resources. The Society has adjusted the presentation of these statements accordingly. With the exception of Note 2, the update has been applied retrospectively to all periods presented.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

2. AVAILABLE RESOURCES AND LIQUIDITY

The Society strives to maintain sufficient operating cash to cover annual undesignated expenditures. The Society regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12 – month period, the Society considers all expenditures related to its ongoing activities as well as the conduct of services undertaken to support those activities to be general expenditures.

The following table reflects the Society's financial assets available to meet cash needs within one year as of July 31, 2019:

Financial assets at year-end:		
Cash and cash equivalents	\$	351,372
Due from Society of Professional Journalists Foundation		181,997
Accounts receivable		321,016
Investments		581,174
Total financial assets		<u>1,435,559</u>
Less amounts not available to be used within one year:		
Net assets designated for purposes other than operations		(81,578)
Net assets with donor restrictions		<u>(413,810)</u>
Total amounts not available to be used within one year		<u>(495,388)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u>940,171</u>

3. GRANTS RECEIVABLE

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

	<u>2019</u>	<u>2018</u>
SPJ Foundation – National Convention (included in amounts due from Society of Professional Journalists Foundation)	\$ 19,691	\$ 78,000
Google Training	<u>-</u>	<u>150,000</u>
	<u>\$ 19,691</u>	<u>\$ 228,000</u>

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

4. PROPERTY AND EQUIPMENT

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

	<u>2019</u>	<u>2018</u>
Land	\$ 10,915	\$ 10,915
Building	540,918	534,948
Furnishings and equipment	<u>655,582</u>	<u>647,832</u>
	1,207,415	1,193,695
Accumulated depreciation	<u>(867,849)</u>	<u>(843,493)</u>
	<u>\$ 339,566</u>	<u>\$ 350,202</u>

5. FIRST AMENDMENT FOREVER FUND (FOREVER FUND)

The Forever Fund is a perpetual endowment for press advocacy. The principal amount of gifts made to the endowment will remain perpetually 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 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 perpetual 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 net assets with donor restrictions the original value of gifts donated to the perpetual 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 perpetual endowment fund
- (2) The purposes of the Society and the perpetual 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

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

5. FIRST AMENDMENT FOREVER FUND (FOREVER FUND), CONTINUED

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

<u>2019</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ 81,578	\$ 139,148	\$ 220,726
Depreciation	-	(7,751)	(7,751)
Contributions	-	5,950	5,950
Appropriation for expenditure	-	(75)	(75)
Forever Fund net assets, end of year	<u>\$ 81,578</u>	<u>\$ 137,272</u>	<u>\$ 218,850</u>

<u>2018</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Forever Fund net assets, beginning of year	\$ 81,578	\$ 109,236	\$ 190,814
Appreciation	-	13,625	13,625
Contributions	-	16,287	16,287
Forever Fund net assets, end of year	<u>\$ 81,578</u>	<u>\$ 139,148</u>	<u>\$ 220,726</u>

FUNDS WITH DEFICIENCIES

From time to time, the fair value of assets associated with 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 net assets without donor restrictions. There were no deficiencies of this nature as of July 31, 2019 or 2018.

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 endowment while seeking to maintain the purchasing power of the endowment assets.

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.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

5. FIRST AMENDMENT FOREVER FUND (FOREVER FUND), CONTINUED

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.

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes as of July 31:

	<u>2019</u>	<u>2018</u>
Excellence in Journalism National Convention	\$ 159,290	\$ 141,000
Louisiana Chapter	682	682
Region 7	-	645
Diversity Leadership Program	4,004	4,004
World Press Freedom Day	2,585	-
Advocacy:		
Legal Defense Fund	93,204	96,613
Forever Fund	137,272	139,148
	<u>\$ 397,037</u>	<u>\$ 382,092</u>

7. 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>2019</u>	<u>2018</u>
Purpose restrictions accomplished:		
Louisiana Chapter	\$ -	\$ 54
Excellence in Journalism National Convention	141,000	119,750
Region 7	645	-
Scripps Leadership Institute	-	50,000
World Press Freedom Day	25,415	-
Advocacy:		
Legal Defense Fund	25,534	30,745
Forever Fund	75	-
	<u>\$ 192,669</u>	<u>\$ 200,549</u>

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NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

8. LEASES

The Society leases a copier with monthly payments of \$273 through April 2021. The Society leases a new mail machine with quarterly payments of \$528 through October 2022. Total rental expense and associated equipment fees for fiscal years 2019 and 2018 was \$22,737 and \$34,029, respectively.

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

2020	\$	5,385
2021		4,567
2022		2,111
2023		528
		<hr/>
	\$	12,591
		<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 years 2019 and 2018, lease income of \$44,202 and \$44,106, respectively, was shared equally between the Society and Foundation (see Note 9). 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:

2020	\$	46,224
2021		46,224
2022		46,224
2023		11,556
		<hr/>
	\$	150,228
		<hr/> <hr/>

9. RELATED PARTY TRANSACTIONS

The Society is closely associated with the Society of Professional Journalists Foundation, Inc., formerly 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 \$- and \$43,000 to the Society during fiscal years 2019 and 2018, respectively, to further the Society's and the Foundation's exempt purposes. At July 31, 2019, the Foundation owed the Society \$162,306 and \$239,052 for various expenses paid and services rendered on its behalf, respectively. At July 31, 2019 and 2018, the Foundation had grants payable to the Society of \$19,691 and \$78,000, respectively.

For fiscal years 2019 and 2018, the Society recorded \$786,908 and \$615,345, respectively, in reimbursements from the Foundation.

At July 31, 2019, the Society had \$6,924 due to a member of the Board of Directors. There was no liability to a Board member at July 31, 2018.

SOCIETY OF PROFESSIONAL JOURNALISTS

NOTES TO FINANCIAL STATEMENTS

JULY 31, 2019 AND 2018

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 \$17,400 and \$19,051 during fiscal years 2019 and 2018, respectively.

11. FUTURE COMMITMENTS

During fiscal year 2017, the Society entered into a three-year software licensing agreement through July 2020. Future commitments under this agreement for the year ending July 31, 2020 total \$10,024.

12. RECLASSIFICATIONS

Certain items in the fiscal year 2018 financial statements have been retroactively reclassified to conform to the fiscal year 2019 presentation. These reclassifications had no effect on net assets at July 31, 2019.