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# SOCIETY OF PROFESSIONAL JOURNALISTS

## FINANCIAL STATEMENTS

Together with Independent Auditors' Report

DECEMBER 31, 2020

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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 December 31, 2020 and July 31, 2019, and the related statements of activities, functional expenses, and cash flows for the 17-month period ended December 31, 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 December 31, 2020 and July 31, 2019, and the changes in its net assets and its cash flows for the 17-month period ended December 31, 2020 in accordance with accounting principles generally accepted in the United States of America.

## Restatement

As described in Note 10 to the financial statements, the Society adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of and for the 17-month period ended December 31, 2020. Certain changes in how the Society should recognize revenue were identified as a part of this process. In addition, the Society discovered it had under accrued legal fees for the year ended July 31, 2019. As a result, the Society has restated the net asset balance as of July 31, 2019, to account for these changes. Our opinion is not modified with respect to this matter.

*Greenwald CPAs, Inc.*

November 9, 2021

# SOCIETY OF PROFESSIONAL JOURNALISTS

## STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2020 AND JULY 31, 2019

### ASSETS

	DECEMBER 31, 2020	RESTATED JULY 31, 2019
Cash and cash equivalents	\$ 74,236	\$ 351,372
Due from Society of Professional Journalists Foundation	466,176	181,997
Accounts receivable, net	40,813	321,016
Prepaid expenses	43,614	92,777
Investments	601,752	581,174
Other assets	500	500
Property and equipment, net	312,709	339,566
<i>Total assets</i>	<u>\$ 1,539,800</u>	<u>\$ 1,868,402</u>

### LIABILITIES AND NET ASSETS

#### LIABILITIES

Accounts payable	\$ 66,135	\$ 374,982
Accounts payable - related party	-	6,924
Accrued payroll and taxes	52,991	85,679
Due to chapters	24,419	28,102
Deferred revenue	125,210	255,309
<i>Total liabilities</i>	<u>268,755</u>	<u>750,996</u>

#### COMMITMENTS (NOTE 7)

#### NET ASSETS

Without donor restrictions		
Undesignated	436,291	638,791
Board designated endowment (Note 4)	81,578	81,578
<i>Total net assets without donor restrictions</i>	517,869	720,369
With donor restrictions	753,176	397,037
<i>Total net assets</i>	<u>1,271,045</u>	<u>1,117,406</u>
<i>Total liabilities and net assets</i>	<u>\$ 1,539,800</u>	<u>\$ 1,868,402</u>

**SOCIETY OF PROFESSIONAL JOURNALISTS**

STATEMENT OF ACTIVITIES

FOR THE 17-MONTH PERIOD ENDED DECEMBER 31, 2020

	WITHOUT DONOR RESTRICTIONS	WITH DONOR RESTRICTIONS	TOTAL
<b>REVENUE, GAINS, AND OTHER SUPPORT</b>			
Grants and contributions	\$ 46,180	\$ 782,251	\$ 828,431
Membership dues	399,881	-	399,881
Fees	516,389	-	516,389
Advertising	51,906	-	51,906
In-kind	41,451	-	41,451
Merchandise sales	6,768	-	6,768
Credit card royalties	21,889	-	21,889
Lease management	25,182	-	25,182
Association management	85,445	-	85,445
Interest and dividends, net of fees	25,008	7,318	32,326
Unrealized gain (loss) on investments	(8,910)	21,837	12,927
Net assets released from restrictions	549,839	(549,839)	-
	<u>1,761,028</u>	<u>261,567</u>	<u>2,022,595</u>
<i>Total revenue, gains, and other support</i>			
<b>EXPENSES</b>			
Program services	1,405,138	-	1,405,138
Management and general, excluding in-kind services	558,390	-	558,390
	<u>1,963,528</u>	<u>-</u>	<u>1,963,528</u>
<i>Total expenses</i>			
<b>CHANGE IN NET ASSETS</b>	(202,500)	261,567	59,067
<b>TRANSFER OF NET ASSETS</b>	-	94,572	94,572
<b>NET ASSETS, BEGINNING OF PERIOD (RESTATED)</b>	<u>720,369</u>	<u>397,037</u>	<u>1,117,406</u>
<b>NET ASSETS, END OF PERIOD</b>	<u>\$ 517,869</u>	<u>\$ 753,176</u>	<u>\$ 1,271,045</u>

SOCIETY OF PROFESSIONAL JOURNALISTS  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE 17-MONTH PERIOD ENDED DECEMBER 31, 2020

	PROGRAM SERVICES												
	ASSOCIATION MANAGEMENT	CONVENTION	COMMUNICATION	AWARDS	MEMBERSHIP	EDUCATIONAL PROGRAMMING	FACEBOOK	GOOGLE	LEGAL DEFENSE	LEADERSHIP TRAINING	TOTAL PROGRAM SERVICES	MANAGEMENT AND GENERAL	TOTAL
Salaries and wages	\$ 96,091	\$ 73,020	\$ 161,513	\$ 82,482	\$ 102,992	\$ 7,988	\$ 1,156	\$ -	\$ -	\$ 1,584	\$ 526,826	\$ 154,716	\$ 681,542
Benefits	14,465	14,601	16,644	12,361	9,044	591	70	-	-	538	68,314	47,117	115,431
Payroll taxes	8,024	6,030	12,932	6,722	7,830	611	88	-	-	155	42,392	22,329	64,721
<i>Total payroll costs</i>	118,580	93,651	191,089	101,565	119,866	9,190	1,314	-	-	2,277	637,532	224,162	861,694
Advertising and marketing	404	1,937	385	284	265	-	-	-	-	16	3,291	3,066	6,357
Professional services	2,783	133,062	11,733	4,354	4,482	500	515	-	67	110	157,606	21,375	178,981
Bank fees and interest expense	1,760	10,593	1,798	1,324	1,201	-	-	-	-	75	16,751	12,046	28,797
Board related expenditures	1,517	2,952	1,447	1,065	996	-	-	-	-	60	8,037	10,976	19,013
Repairs and maintenance	2,811	3,043	8,181	1,974	1,846	-	-	-	-	111	17,966	38,581	56,547
Equipment rental	6,221	6,735	5,932	4,368	4,086	-	-	-	-	246	27,588	2,615	30,203
Facilities rental	-	1,310	-	-	-	-	-	-	-	-	1,310	-	1,310
Depreciation	-	-	-	-	-	-	-	-	-	-	-	28,746	28,746
Insurance	480	1,884	457	337	315	-	-	-	-	19	3,492	17,023	20,515
Office supplies	766	6,808	614	702	423	-	-	-	-	25	9,338	2,985	12,323
Dues and subscriptions	906	801	864	636	595	-	75	-	-	36	3,913	6,174	10,087
Employee travel	2,887	38,235	2,702	2,024	1,861	-	-	-	-	112	47,821	8,691	56,512
Printing and postage	988	8,504	697	13,454	3,776	-	-	-	22	29	27,470	7,530	35,000
Utilities	2,865	3,437	2,732	2,012	1,882	-	-	-	-	113	13,041	13,276	26,317
Contributions and awards	-	790	-	36,634	-	-	-	-	2,000	-	39,424	487	39,911
Legal and accounting	2,302	2,492	2,195	1,616	1,512	-	-	-	9,000	91	19,208	75,999	95,207
Events	57	126,382	55	40	38	-	12,944	8,488	-	2	148,006	-	148,006
Lease management	8	8	7	6	5	-	-	-	-	-	34	(501)	(467)
Bad debts	-	-	-	-	-	-	-	-	-	-	-	4,400	4,400
Trainer fees	-	2,500	-	-	-	-	19,461	42,931	-	-	64,892	72,923	137,815
Program administration fees	-	1,368	-	-	-	-	66,750	90,000	-	-	158,118	-	158,118
Loss on disposal of fixed assets	-	-	-	-	-	-	-	-	-	-	-	6,890	6,890
Miscellaneous	-	300	-	-	-	-	-	-	-	-	300	946	1,246
<i>Total expenses</i>	<u>\$ 145,335</u>	<u>\$ 446,792</u>	<u>\$ 230,888</u>	<u>\$ 172,395</u>	<u>\$ 143,149</u>	<u>\$ 9,690</u>	<u>\$ 101,059</u>	<u>\$ 141,419</u>	<u>\$ 11,089</u>	<u>\$ 3,322</u>	<u>\$ 1,405,138</u>	<u>\$ 558,390</u>	<u>\$ 1,963,528</u>

SOCIETY OF PROFESSIONAL JOURNALISTS  
STATEMENT OF CASH FLOWS  
FOR THE 17-MONTH PERIOD ENDED DECEMBER 31, 2020

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DECREASE IN CASH AND CASH EQUIVALENTS

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from members and others	\$ 1,807,854
Cash paid to suppliers and employees	(2,257,926)
Investment income, net of fees	<u>32,326</u>
<i>Net cash and cash equivalents used in operating activities</i>	<u>(417,746)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchases of property and equipment	(8,779)
Purchases of investments	<u>(7,651)</u>
<i>Net cash and cash equivalents used in investing activities</i>	<u>(16,430)</u>

**CASH FLOWS FROM FINANCING ACTIVITIES**

Cash received for First Amendment Forever Fund	2,489
Transfer of net assets	<u>94,572</u>
<i>Net cash and cash equivalents provided by financing activities</i>	<u>97,061</u>

**DECREASE IN CASH AND CASH EQUIVALENTS**

(337,115)

**CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD**

411,351

**CASH AND CASH EQUIVALENTS, END OF PERIOD**

\$ 74,236

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

CHANGE IN NET ASSETS	<u>\$ 59,067</u>
ADJUSTMENTS TO RECONCILE CHANGE IN NET ASSETS TO NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	
Depreciation expense	28,746
Loss on disposal of assets	6,890
Unrealized gain on investments	(12,927)
Cash received for First Amendment Forever Fund	(2,489)
<i>(Increase) decrease in operating assets</i>	
Due from Society of Professional Journalists Foundation	(284,179)
Accounts receivable, net	280,203
Prepaid expenses	49,163
<i>Decrease in operating liabilities</i>	
Accounts payable and accounts payable - related party	(375,750)
Accrued payroll and taxes	(32,688)
Due to chapters	(3,683)
Deferred revenue	<u>(130,099)</u>
<i>Total adjustments</i>	<u>(476,813)</u>
NET CASH AND CASH EQUIVALENTS USED IN OPERATING ACTIVITIES	<u>\$ (417,746)</u>



# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

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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 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.

#### 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 December 31, 2020 and July 31, 2019, the Society had cash equivalents of \$17,030 and \$48,208, 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 define 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

DECEMBER 31, 2020 AND JULY 31, 2019

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

#### FAIR VALUE MEASUREMENTS AND INVESTMENTS, CONTINUED

Fair values measured on a recurring basis are as follows:

<u>December 31, 2020</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	\$ 219,102	\$ 219,102	\$ -	\$ -
Mutual funds – bonds	<u>382,650</u>	<u>382,650</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 601,752</u>	<u>\$ 601,752</u>	<u>\$ -</u>	<u>\$ -</u>

<u>July 31, 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>

The cost basis for these investments was \$589,247 and \$581,302 as of December 31, 2020 and July 31, 2019, 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. There is an allowance for doubtful accounts of \$4,400 at December 31, 2020. There was no allowance at July 31, 2019.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

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### 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. 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 December 31, 2020 and July 31, 2019 for the purposes of building an endowment to preserve the capital investment of the Society and continue the mission of advocacy. See Note 4.

##### 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 4 and 5.

#### RECOGNITION OF SUPPORT AND REVENUE

The Society's earned revenues consist primarily of membership dues, fees, advertising, merchandise sales, credit card royalties, and association management. Earned revenue is recognized as follows:

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

Fees and advertising revenue are earned upon the completion of the convention or program.

Merchandise is sold at various times throughout the year. Sales are considered earned when payment is received and the member takes possession of the merchandise.

Credit card royalties are recognized when credit card applications are approved.

Association management revenues are recognized on a monthly basis as services are performed.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

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

#### RECOGNITION OF SUPPORT AND REVENUE, CONTINUED

The following table disaggregates the Society's earned revenue based on the timing of satisfaction of performance obligations for the 17-month period ended December 31, 2020:

Over time	
Membership	\$ 399,881
Total over time	399,881
Point in time	
Fees	516,389
Advertising	51,906
Merchandise sales	6,768
Credit card royalties	21,889
Association management	85,445
Total point in time	682,397
Total revenue from contracts with members	\$ 1,082,278

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.

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 revenue. For the 17-month period ended December 31, 2020, these contributed services were \$41,451.

#### 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 \$6,357 in advertising and marketing expense for the 17-month period ended December 31, 2020. These costs were expensed as incurred.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

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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 December 31, 2020 and July 31, 2019.

#### SUBSEQUENT EVENTS

Subsequent events have been evaluated by management through November 9, 2021, which is the date the financial statements were available to be issued. See Note 12.

#### NEW ACCOUNTING PRONOUNCEMENT

The Society has adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, as of August 1, 2019. The ASU provided clarified guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (transactions) subject to other guidance and (2) determining whether a contribution is conditional. The Society applied the update on a modified prospective basis to agreements that were either not completed as of the effective date or entered into as of the effective date. The application of the update had no impact on net assets as of August 1, 2019.

The Society has adopted ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), as of and for the 17-month period ended December 31, 2020, utilizing the full retrospective method. The update provides organizations with a single revenue recognition model for recognizing revenue with members; specifically requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to members. The Society utilized a comprehensive approach to evaluate and document the impact of the guidance on current accounting policies and practices to identify material differences, if any, that would result from applying the new requirements to revenue contracts. The Society identified differences resulting from applying the new requirements to revenue contracts with respect to deferred membership dues. See Note 10.

### 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.

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

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### 2. AVAILABLE RESOURCES AND LIQUIDITY, CONTINUED

The following table reflects the Society's financial assets available to meet cash needs within one year:

	<u>December 31,</u> <u>2020</u>	<u>July 31,</u> <u>2019</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 74,236	\$ 351,372
Due from Society of Professional Journalists Foundation	466,176	181,997
Accounts receivable, net	40,813	321,016
Investments	<u>601,752</u>	<u>581,174</u>
Total financial assets	1,182,977	1,435,559
Less amounts not available to be used within one year		
Net assets designated for purposes other than operations	(81,578)	(81,578)
Net assets with donor restrictions	<u>(503,118)</u>	<u>(397,037)</u>
Total amounts not available to be used within one year	<u>(584,696)</u>	<u>(478,615)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 598,281</u>	<u>\$ 956,944</u>

### 3. PROPERTY AND EQUIPMENT

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

	<u>2020</u>	<u>2019</u>
Land	\$ 10,915	\$ 10,915
Building	549,697	540,918
Furnishings and equipment	<u>647,832</u>	<u>655,582</u>
	1,208,444	1,207,415
Accumulated depreciation	<u>(895,735)</u>	<u>(867,849)</u>
	<u>\$ 312,709</u>	<u>\$ 339,566</u>

# SOCIETY OF PROFESSIONAL JOURNALISTS

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND JULY 31, 2019

### 4. 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

Changes in Forever Fund Net Assets for the 17-month period ended December 31, 2020:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Forever Fund net assets, beginning of period	\$ 81,578	\$ 137,272	\$ 218,850
Appreciation	-	29,155	29,155
Contributions	-	2,414	2,414
Forever Fund net assets, end of period	<u>\$ 81,578</u>	<u>\$ 168,841</u>	<u>\$ 250,419</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 December 31, 2020 or July 31, 2019.

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

#### 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.

#### 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.

### 5. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Excellence in Journalism National Convention	\$ 25,000	\$ 159,290
Louisiana Chapter	325	682
Facebook	94,826	-
Google training program	131,581	-
Diversity Leadership Program	4,004	4,004
World Press Freedom Day	-	2,585
Future Leaders	18,460	-
Educational Programming	239,510	-
Advocacy		
Legal Defense Fund	70,629	93,204
Forever Fund	168,841	137,272
	<u>\$ 753,176</u>	<u>\$ 397,037</u>



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### 6. NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions during the 17-month period ended December 31, 2020, by satisfying the restricted purposes or by occurrence of other events specified by donor.

	<u>2020</u>
Purpose restrictions accomplished	
Excellence in Journalism National Convention	\$ 222,357
Louisiana Chapter	357
Facebook	102,374
Google	166,419
Educational Programming	4,820
World Press Freedom Day	2,585
Advocacy	
Legal Defense Fund	<u>50,927</u>
	<u>\$ 549,839</u>

### 7. LEASES

The Society leased a copier with monthly payments of \$273 through April 2021. In April 2021, this copier lease was extended through July 2025 with monthly payments of \$245. The Society also leases a mail machine with quarterly payments of \$528 through October 2022. Total equipment rental expense and associated equipment fees for 17-month period ended December 31, 2020 was \$13,358.

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

2021	\$ 5,051
2022	5,051
2023	4,523
2024	2,940
2025	<u>1,715</u>
	<u>\$ 19,280</u>

The Society leases the first floor of their building. The lease expires in August 2022 and requires even monthly payments of \$3,852 with three months of rent forgiveness to the tenant. In the 17-month period ended December 31, 2020, lease income of \$65,484, was shared equally between the Society and Foundation (see Note 8). The lease income has been recorded on the straight-line basis for financial reporting purposes.

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### 7. LEASES, CONTINUED

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

2021	\$	46,224
2022		<u>30,816</u>
	\$	<u>77,040</u>

### 8. RELATED PARTY TRANSACTIONS

The Society is closely associated with the Society of Professional Journalists Foundation, Inc. (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 \$229,971 to the Society during the 17-month period ended December 31, 2020 to further the Society's and the Foundation's exempt purposes. At December 31, 2020 and July 31, 2019, the Foundation owed the Society \$298,691 and \$162,306 for various expenses paid and services rendered on its behalf, respectively. At December 31, 2020 and July 31, 2019, the Foundation had grants payable to the Society of \$167,485 and \$19,691, respectively.

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

	<u>December 31,</u> <u>2020</u>	<u>July 31,</u> <u>2019</u>
SPJ Foundation – National Convention (included in amounts due from Society of Professional Journalists Foundation)	\$ -	\$ 19,691
SPJ Foundation – Leadership Grant (included in amounts due from Society of Professional Journalists Foundation)	149,025	-
SPJ Foundation – Future Leaders Grant (included in amounts due from Society of Professional Journalists Foundation)	<u>18,460</u>	<u>-</u>
	<u>\$ 167,485</u>	<u>\$ 19,691</u>

At July 31, 2019, the Society had \$6,924 due to a member of the Board of Directors.

For the 17-month period ended December 31, 2020, the Society recorded \$846,910 in reimbursements from the Foundation.

During the 17-month period ended December 31, 2020, the Society received \$94,572 as a transfer of net assets from the Foundation to continue Facebook programming.

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### 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 \$30,641 during the 17-month period ended December 31, 2020.

### 10. RESTATEMENT

As discussed in Note 1 to the financial statements, the Society adopted ASU 2014-09 for the 17-month period ended December 31, 2020. In addition, in 2021, the Society discovered that it had under accrued legal fees for the year ended July 31, 2019. As a result, the July 31, 2019 statement of financial position was restated as follows:

	<u>As Previously Reported</u>	<u>Revenue Restatement Adjustment</u>	<u>Legal Fees Adjustment</u>	<u>As Restated</u>
Total liabilities	<u>\$ 729,611</u>	<u>\$ (38,594)</u>	<u>\$ 59,979</u>	<u>\$ 750,996</u>
Total net assets	<u>\$ 1,138,791</u>	<u>\$ 38,594</u>	<u>\$ (59,979)</u>	<u>\$ 1,117,406</u>

### 11. RISKS AND UNCERTAINTIES

In March 2020, the World Health Organization declared a worldwide pandemic due to the outbreak of a novel strain of coronavirus, called COVID-19. The extent of the impact of COVID-19 on the Society's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on membership, investments, and vendors all of which are uncertain and cannot be predicted. As the Society's investments are approximately 39.5% of their total assets this results in a risk of a decline in investment value by way of unforeseen market activity. At this point, the extent to which COVID-19 may impact the Society's financial condition or results of operations is uncertain.

### 12. SUBSEQUENT EVENTS

In response to the COVID-19 pandemic, the United States federal government adopted the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") which includes a Small Business Paycheck Protection Program ("PPP") under the auspices of the federal Small Business Administration ("SBA"). These funds can be used for costs related to payroll, employee health care, rent, and utilities. In February 2021, the Society received a loan from a financial institution under the PPP in the amount of \$195,000. The interest rate is 1%, the loan term is five years which begins after the lender makes a determination on forgiveness or 10 months after the 24-week expenditure period; however, to the extent the funds are used for qualifying expenses under the program, the Society may apply for loan forgiveness for which the Society expects to receive 100% forgiveness. When the Society meets the conditions of forgiveness, the loan will be recognized as grant income in accordance with FASB ASC 958-605.

In June 2021, the Society contracted with a venue for an event at the 2021 convention. Subsequently, the 2021 convention was changed to virtual and the Society forfeited its deposit of \$7,500.