

FINANCIAL STATEMENTS

**ECOLOGICAL SOCIETY OF AMERICA,
INCORPORATED**

**FOR THE YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED FINANCIAL
INFORMATION FOR 2006**

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

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GELMAN, ROSENBERG & FREEDMAN
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Ecological Society of America, Incorporated
Washington, D.C.

We have audited the accompanying statement of financial position of the Ecological Society of America, Incorporated as of June 30, 2007, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Ecological Society of America, Incorporated's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the organization's financial statements for the year ended June 30, 2006 and, in our report dated November 3, 2006, we expressed an unqualified opinion on those statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Ecological Society of America, Incorporated as of June 30, 2007, and its change in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Gelman Rosenberg & Freedman

January 11, 2008

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ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED
STATEMENT OF FINANCIAL POSITION
AS OF JUNE 30, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

ASSETS			
		<u>2007</u>	<u>2006</u>
CURRENT ASSETS			
Cash and cash equivalents	\$	1,873,232	\$ 2,200,488
Investments (Note 2)		3,939,997	3,606,010
Accounts receivable		116,419	84,948
Grants receivable		96,476	66,449
Prepaid expenses		<u>175,899</u>	<u>91,842</u>
Total current assets		<u>6,202,023</u>	<u>6,049,737</u>
FIXED ASSETS			
Equipment		314,170	314,170
Furniture and fixtures		<u>49,212</u>	<u>46,583</u>
		363,382	360,753
Less: Accumulated depreciation		<u>(326,836)</u>	<u>(291,874)</u>
Net fixed assets		<u>36,546</u>	<u>68,879</u>
OTHER ASSETS			
Deposits		<u>10,075</u>	<u>10,075</u>
TOTAL ASSETS	\$	<u>6,248,644</u>	<u>\$ 6,128,691</u>

See accompanying notes to financial statements.

LIABILITIES AND NET ASSETS

	<u>2007</u>	<u>2006</u>
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 256,153	\$ 466,434
Deferred revenue:		
Membership dues and subscriptions	1,554,880	1,515,161
Meeting fees	<u>855,652</u>	<u>537,896</u>
Total liabilities	<u>2,666,685</u>	<u>2,519,491</u>
NET ASSETS		
Unrestricted:		
Undesignated	1,316,717	879,264
Board designated (Note 8)	<u>469,012</u>	<u>469,012</u>
Total unrestricted	1,785,729	1,348,276
Temporarily restricted (Note 3)	1,746,230	2,210,924
Permanently restricted (Note 9)	<u>50,000</u>	<u>50,000</u>
Total net assets	<u>3,581,959</u>	<u>3,609,200</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 6,248,644</u>	<u>\$ 6,128,691</u>

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	2007			2006
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Grants and contributions	\$ 365,524	\$ 656,859	\$ -	\$ 1,022,383
Membership dues	580,476	-	-	580,476
Subscriptions	2,395,750	-	-	2,395,750
Manuscript charges	325,338	-	-	325,338
Annual meeting	783,593	-	-	783,593
Investment income (Note 2)	182,341	77,189	-	259,530
Other	170,681	-	-	170,681
Net assets released from donor imposed restriction (Note 4)	<u>1,198,742</u>	<u>(1,198,742)</u>	<u>-</u>	<u>-</u>
Total revenue	<u>6,002,445</u>	<u>(464,694)</u>	<u>-</u>	<u>5,537,751</u>
EXPENSES				
Program services:				
Public Affairs	240,387	-	-	240,387
Science Programs	424,652	-	-	424,652
Annual Meeting	659,325	-	-	659,325
Chapters and Sections	17,363	-	-	17,363
Journals	1,778,813	-	-	1,778,813
Frontiers	634,438	-	-	634,438
Education	<u>475,826</u>	<u>-</u>	<u>-</u>	<u>475,826</u>
Total program services	<u>4,230,804</u>	<u>-</u>	<u>-</u>	<u>4,230,804</u>
Supporting services:				
Management and General	1,280,506	-	-	1,280,506
Fundraising	<u>53,682</u>	<u>-</u>	<u>-</u>	<u>53,682</u>
Total expenses	<u>5,564,992</u>	<u>-</u>	<u>-</u>	<u>5,564,992</u>
Change in net assets	437,453	(464,694)	-	(27,241)
Net assets at beginning of year	<u>1,348,276</u>	<u>2,210,924</u>	<u>50,000</u>	<u>3,609,200</u>
NET ASSETS AT END OF YEAR	\$ <u>1,785,729</u>	\$ <u>1,746,230</u>	\$ <u>50,000</u>	\$ <u>3,581,959</u>
				\$ <u>3,609,200</u>

See accompanying notes to financial statements.

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	2007				
	Program Services				
	Public Affairs	Science Programs	Annual Meeting	Chapters and Sections	Journals
Salaries	\$ 157,508	\$ 156,579	\$ 138,947	\$ -	\$ 523,120
Benefits (Note 6)	26,405	19,929	24,683	-	121,924
Payroll taxes	12,049	11,978	10,629	-	46,016
Insurance	-	-	4,050	-	-
Awards	-	-	-	-	-
Travel and meeting costs	21,396	101,785	74,335	-	9,935
Committee expense	8,568	5,241	-	-	-
Telephone	36	231	392	-	7,982
Printing and production	1,789	733	27,322	-	50
Postage and delivery	1,542	-	5,619	-	2,975
Dues and subscriptions	4,172	-	-	-	434
Equipment	-	-	614	-	23,688
Bank charges	-	-	23,129	-	-
Occupancy (Note 5)	-	-	-	-	56,252
Professional fees	-	-	29,125	-	119,463
Miscellaneous	-	-	-	-	-
Publications	6,922	-	-	-	855,639
Depreciation	-	-	-	-	-
Office expenses	-	-	-	-	11,335
Grant expense	-	128,176	320,480	17,363	-
TOTAL	\$ 240,387	\$ 424,652	\$ 659,325	\$ 17,363	\$ 1,778,813

See accompanying notes to financial statements.

						2006
Frontiers	Education	Total Program Services	Management and General	Fundraising	Total Expenses	Total Expenses
\$ 205,647	\$ 152,495	\$ 1,334,296	\$ 405,486	\$ 40,000	\$ 1,779,782	\$ 1,680,049
35,024	28,794	256,759	67,604	10,003	334,366	291,537
15,989	11,465	108,126	30,852	-	138,978	130,703
-	-	4,050	40,165	-	44,215	39,443
-	-	-	13,174	-	13,174	16,117
4,334	198,227	410,012	13,028	3,679	426,719	527,567
-	5,647	19,456	37,679	-	57,135	55,376
2,524	1,754	12,919	19,284	-	32,203	35,645
216,721	302	246,917	24,584	-	271,501	291,927
212	54	10,402	12,729	-	23,131	21,790
125	-	4,731	13,167	-	17,898	12,818
1,871	-	26,173	74,712	-	100,885	83,440
-	-	23,129	27,313	-	50,442	66,621
33,599	-	89,851	201,451	-	291,302	278,917
117,418	47,853	313,859	150,877	-	464,736	496,798
-	-	-	36,365	-	36,365	54,672
-	-	862,561	50,000	-	912,561	962,667
-	-	-	34,962	-	34,962	37,505
974	5,192	17,501	27,074	-	44,575	44,374
-	24,043	490,062	-	-	490,062	1,495,349
\$ 634,438	\$ 475,826	\$ 4,230,804	\$ 1,280,506	\$ 53,682	\$ 5,564,992	\$ 6,623,315

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (27,241)	\$ (313,228)
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	34,962	37,505
Net appreciation of investments	(97,333)	(43,667)
(Increase) decrease in:		
Accounts receivable	(31,471)	24,177
Grants receivable	(30,027)	(3)
Prepaid expenses	(84,057)	94,381
Increase (decrease) in:		
Accounts payable and accrued liabilities	(210,281)	(25,681)
Deferred revenue	<u>357,475</u>	<u>(259,996)</u>
Net cash used by operating activities	<u>(87,973)</u>	<u>(486,512)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(2,629)	(5,195)
Purchase of investments	(766,419)	(226,225)
Proceeds from sale of investments	<u>529,765</u>	<u>133,410</u>
Net cash used by investing activities	<u>(239,283)</u>	<u>(98,010)</u>
Net decrease in cash and cash equivalents	(327,256)	(584,522)
Cash and cash equivalents at beginning of year	<u>2,200,488</u>	<u>2,785,010</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 1,873,232</u>	<u>\$ 2,200,488</u>

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION

Organization -

The Ecological Society of America, Incorporated (the Society) is a nonprofit tax-exempt corporation formed in 1915 to further the study and development of concerns in the field of ecology. The Society is located in the District of Columbia, with chapters located in various regions of the United States, as well as publication offices in Ithaca, New York and Silver Spring, Maryland.

Basis of presentation -

The accompanying financial statements are presented on the accrual basis of accounting, and in accordance with Statement of Financial Accounting Standards No. 117, "Financial Statements of Not-for-Profit Organizations".

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended June 30, 2006, from which the summarized information was derived.

Cash and cash equivalents -

The Society considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

At times during the year, the Society maintains cash balances at financial institutions in excess of the Federal Deposit Insurance Corporation (FDIC) limits. Management believes the risk in these situations to be minimal.

Investments -

Investments are recorded at market value. The net appreciation (depreciation) of investments are included in investment income in the Statement of Activities and Change in Net Assets.

Fixed assets -

Fixed assets are stated at cost. Fixed assets with costs exceeding \$1,000 are depreciated on a straight-line basis over the estimated useful lives of the related assets, generally three to ten years. The cost of maintenance and repairs is recorded as expenses are incurred.

Income taxes -

The Society is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Society is not a private foundation.

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION (Continued)

Deferred revenue -

Deferred revenue consists of membership dues, subscriptions and meeting fees collected in advance. Membership dues and subscriptions are recorded as deferred revenue upon receipt and are recognized ratably over the period to which the dues and subscriptions relate. Meeting fees are recorded as deferred revenue and are recognized as revenue in the period in which the meetings occur.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Society and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of the Society and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by the Society.

Grants and contributions -

Contributions and grants are recorded as revenue in the year notification is received from the donor. Contributions and grants are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Contributions and grants received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying financial statements.

Grants received in exchange for services are recorded when earned based on the terms of the agreement.

Use of estimates -

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 the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION
(Continued)**

Advertising costs -

The Society, incurs certain costs associated with advertising. These costs are expensed in the period incurred. For the year ending June 30, 2007, the Society incurred \$9,138 of advertising costs.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

2. INVESTMENTS

Investments and investment income consisted of the following at June 30, 2007:

	<u>Market Value</u>
Certificates of deposit	\$ 2,776,681
Mutual funds	998,635
Bonds	109,606
Real estate partnership	<u>55,075</u>
TOTAL INVESTMENTS	<u>\$ 3,939,997</u>
Interest and dividends	\$ 162,197
Net appreciation of investments	<u>97,333</u>
TOTAL INVESTMENT INCOME	<u>\$ 259,530</u>

3. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at June 30, 2007:

Publication Fund	\$ 733,402
Life Membership	139,722
Seeds	210,484
Awards	426,078
Millennium Fund	31,083
Invasives	3,972
Ecosystems Services	9,916
Park Foundation	100,806
Chapter/Section Funds	80,767
SWRR	<u>10,000</u>
	<u>\$ 1,746,230</u>

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

4. NET ASSETS RELEASED FROM DONOR IMPOSED RESTRICTIONS

The following temporarily restricted net assets were released from donor restrictions by incurring expenses which satisfied the restricted purposes specified by the donors:

Publication Fund	\$ 632,708
Life Membership	25,000
Seeds	356,584
Awards	20,374
Millennium Fund	29,970
JSTOR	5,838
Invasives	1,054
Ecosystems Services	900
Park Foundation	113,355
Mexico Meeting	<u>12,959</u>
	<u>\$ 1,198,742</u>

5. LEASE COMMITMENT

The Society entered into a ten-year office lease agreement which commenced on October 4, 1999. The lease contains a fixed escalation clause for increases in the annual minimum rate at the rate of four percent.

In May 2003, the Society entered into an office lease for its Ithaca, New York office. The lease will expire on April 30, 2014.

In March 2005, the Society renewed its lease for the office in Silver Spring, Maryland. The lease will expire on March 31, 2008.

Rent expense for the year ending June 30, 2007 was \$291,302.

Future minimum payments under these leases are as follows:

<u>Year Ended June 30,</u>	
2008	\$ 252,536
2009	231,317
2010	240,069
2011	249,156
2012	258,562
Thereafter	<u>546,950</u>
	<u>\$ 1,778,590</u>

Subsequent to year-end, the Society learned that it would have to vacate its main office space in Washington, D.C. As a result, it intended to terminate the Silver Spring lease at the same time and combine the two offices. As of January 11, 2008, the leases have not been legally cancelled. The Society is currently in progress of finding new office space.

ECOLOGICAL SOCIETY OF AMERICA, INCORPORATED

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

6. RETIREMENT PLAN

The Society, and certain eligible employees who have chosen to participate, contribute to the Teachers Insurance and Annuity Association College Retirement Equities Fund (TIAA/CREF). TIAA/CREF retirement plans are defined contribution plans (commonly called money-purchase plans) in compliance with the Employee Retirement Income Security Act of 1974 and subsequent related legislation. The Society's contributions totaled \$153,100 for the fiscal year ended June 30, 2007.

7. LINE OF CREDIT

The Society has a \$300,000 line of credit with a bank collateralized by chattel paper, accounts receivable, equipment and general intangibles. The interest rate is prime and the agreement expires December 31, 2007. As of June 30, 2007, the prime rate was 8.25%. As of June 30, 2007, the Society had no outstanding borrowings on its line of credit.

8. BOARD DESIGNATED

Each year, the Society's Board members set aside a certain amount of unrestricted funds for future use. These funds will be used to fund future programs for which other funds are not available.

9. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets at June 30, 2007 were comprised of contributions received designated by the donor to remain in perpetuity. Investment income is used for the Eugene Odum Education Award.