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Exempt Organization Business Income Tax Return

(and proxy tax under section 6033(e))

2007

Department of the Treasury
Internal Revenue Service (77)

For calendar year 2007 or other tax year beginning **OCT 1, 2007**, and ending **SEP 30, 2008**

Open to Public Inspection for 501(c)(3) Organizations Only

A Check box if address changed

B Exempt under section 501(c)(3) 408(e) 220(e) 408A 530(a) 529(a)

C Book value of all assets at end of year: **3,386,622.**

D Employer identification number (Employees' trust, see instructions for Block D on page 9): **06-1664153**

E Unrelated business activity codes (See instructions for Block E on page 9): **541800**

Name of organization (Check box if name changed and see instructions.): **GRIST MAGAZINE INC.**

Number, street, and room or suite no. If a P O box, see page 9 of instructions: **710 2ND AVE, NO. 860**

City or town, state, and ZIP code: **SEATTLE, WA 98104**

F Group exemption number (see instructions for Block F.)

G Check organization type: 501(c) corporation 501(c) trust 401(a) trust Other trust

H Describe the organization's primary unrelated business activity: **ADVERTISING**

I During the tax year, was the corporation a subsidiary in an affiliated group or a parent-subsidiary controlled group? Yes No

If "Yes," enter the name and identifying number of the parent corporation

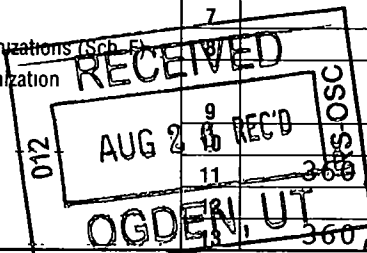
J The books are in care of: **WENTINA HURTADO** Telephone number: **(206) 876 2020**

Part I Unrelated Trade or Business Income		(A) Income	(B) Expenses	(C) Net
1 a	Gross receipts or sales			
b	Less returns and allowances			
c	Balance			
2	Cost of goods sold (Schedule A, line 7)			
3	Gross profit. Subtract line 2 from line 1c			
4 a	Capital gain net income (attach Schedule D)			
b	Net gain (loss) (Form 4797, Part II, line 17) (attach Form 4797)			
c	Capital loss deduction for trusts			
5	Income (loss) from partnerships and S corporations (attach statement)			
6	Rent income (Schedule C)			
7	Unrelated debt-financed income (Schedule E)			
8	Interest, annuities, royalties, and rents from controlled organizations (Schedule F)			
9	Investment income of a section 501(c)(7), (9), or (17) organization (Schedule G)			
10	Exploited exempt activity income (Schedule I)			
11	Advertising income (Schedule J)	360,855.	250,719.	110,136.
12	Other income (See instructions, attach schedule)			
13	Total. Combine lines 3 through 12	360,855.	250,719.	110,136.

Part II Deductions Not Taken Elsewhere (See instructions for limitations on deductions.)
(Except for contributions, deductions must be directly connected with the unrelated business income.)

14	Compensation of officers, directors, and trustees (Schedule K)	14	
15	Salaries and wages	15	
16	Repairs and maintenance	16	
17	Bad debts	17	
18	Interest (attach schedule)	18	
19	Taxes and licenses	19	
20	Charitable contributions (See instructions for limitation rules)	20	
21	Depreciation (attach Form 4562)	21	
22	Less depreciation claimed on Schedule A and elsewhere on return	22a	22b
23	Depletion	23	
24	Contributions to deferred compensation plans	24	
25	Employee benefit programs	25	
26	Excess exempt expenses (Schedule I)	26	
27	Excess readership costs (Schedule J)	27	110,136.
28	Other deductions (attach schedule)	28	
29	Total deductions. Add lines 14 through 28	29	110,136.
30	Unrelated business taxable income before net operating loss deduction Subtract line 29 from line 13	30	0.
31	Net operating loss deduction (limited to the amount on line 30)	31	
32	Unrelated business taxable income before specific deduction Subtract line 31 from line 30	32	0.
33	Specific deduction (Generally \$1,000, but see instructions for exceptions)	33	1,000.
34	Unrelated business taxable income. Subtract line 33 from line 32. If line 33 is greater than line 32, enter the smaller of zero or line 32	34	0.

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Part III Tax Computation

35 Organizations Taxable as Corporations. See instructions for tax computation. Controlled group members (sections 1561 and 1563) check here [] See instructions and: a Enter your share of the \$50,000, \$25,000, and \$9,925,000 taxable income brackets (in that order): (1) \$ (2) \$ (3) \$ b Enter organization's share of (1) Additional 5% tax (not more than \$11,750) \$ (2) Additional 3% tax (not more than \$100,000) \$ c Income tax on the amount on line 34 35c 0. 36 Trusts Taxable at Trust Rates. See instructions for tax computation Income tax on the amount on line 34 from. [] Tax rate schedule or [] Schedule D (Form 1041) 36 37 Proxy tax. See instructions 37 38 Alternative minimum tax 38 39 Total. Add lines 37 and 38 to line 35c or 36, whichever applies 39 0.

Part IV Tax and Payments

40a Foreign tax credit (corporations attach Form 1118, trusts attach Form 1116) 40a 40b Other credits (see instructions) 40b 40c General business credit Check here and indicate which forms are attached. [] Form 3800 [] Form(s) (specify) 40c 40d Credit for prior year minimum tax (attach Form 8801 or 8827) 40d 40e Total credits. Add lines 40a through 40d 40e 41 Subtract line 40e from line 39 41 0. 42 Other taxes. Check if from [] Form 4255 [] Form 8611 [] Form 8697 [] Form 8866 [] Other (attach schedule) 42 43 Total tax. Add lines 41 and 42 43 0. 44a Payments: A 2006 overpayment credited to 2007 44a 518. 44b 2007 estimated tax payments 44b 44c Tax deposited with Form 8868 44c 10,000. 44d Foreign organizations Tax paid or withheld at source (see instructions) 44d 44e Backup withholding (see instructions) 44e 44f Other credits and payments [] Form 2439 [] Form 4136 [] Other Total 44f 10,518. 45 Total payments Add lines 44a through 44f 45 10,518. 46 Estimated tax penalty (see instructions) Check if Form 2220 is attached [] 46 47 Tax due If line 45 is less than the total of lines 43 and 46, enter amount owed 47 48 Overpayment. If line 45 is larger than the total of lines 43 and 46, enter amount overpaid 48 10,518. 49 Enter the amount of line 48 you want Credited to 2008 estimated tax 49 10,518. Refunded

Part V Statements Regarding Certain Activities and Other Information (See instructions on page 18)

1 At any time during the 2007 calendar year, did the organization have an interest in or a signature or other authority over a financial account (bank, securities, or other) in a foreign country? If YES, the organization may have to file Form TD F 90-22 1 If YES, enter the name of the foreign country here Yes No X 2 During the tax year, did the organization receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If YES, see page 5 of the instructions for other forms the organization may have to file Yes No X 3 Enter the amount of tax-exempt interest received or accrued during the tax year \$

Schedule A - Cost of Goods Sold. Enter method of inventory valuation N/A

1 Inventory at beginning of year 1 2 Purchases 2 3 Cost of labor 3 4a Additional section 263A costs 4a 4b Other costs (attach schedule) 4b 5 Total. Add lines 1 through 4b 5 6 Inventory at end of year 6 7 Cost of goods sold. Subtract line 6 from line 5 Enter here and in Part I, line 2 7 8 Do the rules of section 263A (with respect to property produced or acquired for resale) apply to the organization? Yes No X

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge

Sign Here Signature of officer Frank Admull 8/13/09 Date Title COO May the IRS discuss this return with the preparer shown below (see instructions)? [X] Yes [] No

Paid Preparer's Use Only Preparer's signature [Signature] Date 8/7/09 Check if self-employed [] Preparer's SSN or PTIN P00120599 Firm's name (or yours if self-employed), address, and ZIP code PETERSON SULLIVAN LLP, CPAs 601 UNION ST, STE 2300 SEATTLE, WA 98101-2345 EIN 91-0605875 Phone no. 2063827777

Schedule G - Investment Income of a Section 501(c)(7), (9), or (17) Organization
(see instructions on page 22)

1 Description of income	2 Amount of income	3 Deductions directly connected (attach schedule)	4 Set-asides (attach schedule)	5 Total deductions and set-asides (col 3 plus col 4)
(1)				
(2)				
(3)				
(4)				
Totals	0.			0.

Schedule I - Exploited Exempt Activity Income, Other Than Advertising Income
(see instructions on page 22)

1 Description of exploited activity	2 Gross unrelated business income from trade or business	3 Expenses directly connected with production of unrelated business income	4 Net income (loss) from unrelated trade or business (column 2 minus column 3) If a gain, compute cols 5 through 7	5 Gross income from activity that is not unrelated business income	6 Expenses attributable to column 5	7 Excess exempt expenses (column 6 minus column 5, but not more than column 4)
(1)						
(2)						
(3)						
(4)						
Totals	0.	0.				0.

Schedule J - Advertising Income (see instructions on page 22)

Part I Income From Periodicals Reported on a Consolidated Basis

1 Name of periodical	2 Gross advertising income	3 Direct advertising costs	4 Advertising gain or (loss) (col 2 minus col 3) If a gain, compute cols 5 through 7	5 Circulation income	6 Readership costs	7 Excess readership costs (column 6 minus column 5, but not more than column 4)
(1) GRIST MAGAZINE	360,855.	250,719.		0.	2068702.	
(2)						
(3)						
(4)						
Totals (carry to Part II, line (5))	360,855.	250,719.	110,136.		2068702.	110,136.

Part II Income From Periodicals Reported on a Separate Basis (For each periodical listed in Part II, fill in columns 2 through 7 on a line-by-line basis.)

(1)						
(2)						
(3)						
(4)						
(5) Totals from Part I	360,855.	250,719.				110,136.
Totals, Part II (lines 1-5)	360,855.	250,719.				110,136.

Schedule K - Compensation of Officers, Directors, and Trustees (see instructions on page 23)

1 Name	2 Title	3 Percent of time devoted to business	4 Compensation attributable to unrelated business
		%	
		%	
		%	
		%	
Total. Enter here and on page 1, Part II, line 14			0.

Statement A - Online publishing and distribution of environmental news and commentary

Among Grist's accomplishments in FY2008 were:

1. The most comprehensive environmental coverage of the presidential election, including exclusive interviews with John McCain, Barack Obama, Hillary Clinton, and 12 other presidential hopefuls, plus nonpartisan media sponsorship of the first-ever presidential candidate forum on climate and energy in November 2007.
2. A highly successful first foray into offline publishing with our book *Wake Up and Smell the Planet: The Nonpompous, Nonpreachy Grist Guide to Greening Your Day*, which surpassed sales projections and won an award from the Independent Publishers Association.
3. More than 100 mentions in major media outlets including *The New York Times*, *The Washington Post*, *USA Today*, and other prominent news publications, as well as appearances on television such as NBC's *Today* show.
4. A boost in our direct audience, so that we are now reaching 775,000 readers a month. The majority of readers are under age 40. Almost half have signed up for Grist emails, and 86 percent have taken an action or changed a behavior due to something they've read in Grist. Among those who reported changing a behavior, 72 percent changed purchasing habits, 52 percent consumed less, 40 percent recycled more, and 11 percent joined an environmental group.
5. Content-sharing partnerships with Yahoo! (the most-read website in the country), *The Huffington Post* (the most-read blog), and *The Washington Post*, and expansion of existing partnerships with MSN MSNBC.com (the most popular news sites online) that brought Grist content to millions of readers beyond our core audience and drove new traffic to our website.
6. Successful prototypes of two new key products: *Grist Local* (a month-long beta launch in Seattle got rave reviews from recipients) and *Grist TV*, beginning with a video version of our popular *Ask Umbra* advice column).
7. The launch of a model partnership with Arizona State University, one of the largest public universities in the country, to co-create a biweekly email news product for more than 60,000 students.
8. Concrete progress toward the wholesale redesign and relaunch of the Grist website, with primary goals of increasing audience engagement and page views.

Schedule C - Rent Income (From Real Property and Personal Property Leased With Real Property) (see instr. on pg 20)

1 Description of property

(1)
(2)
(3)
(4)

2 Rent received or accrued		3 Deductions directly connected with the income in columns 2(a) and 2(b) (attach schedule)
(a) From personal property (if the percentage of rent for personal property is more than 10% but not more than 50%)	(b) From real and personal property (if the percentage of rent for personal property exceeds 50% or if the rent is based on profit or income)	
(1)		
(2)		
(3)		
(4)		
Total	0.	Total 0.

Total income. Add totals of columns 2(a) and 2(b). Enter here and on page 1, Part I, line 6, column (A) **0.**

Total deductions. Enter here and on page 1, Part I, line 6, column (B) **0.**

Schedule E - Unrelated Debt-Financed Income (See instructions on page 20)

1 Description of debt-financed property	2 Gross income from or allocable to debt-financed property	3 Deductions directly connected with or allocable to debt-financed property	
		(a) Straight line depreciation (attach schedule)	(b) Other deductions (attach schedule)
(1)			
(2)			
(3)			
(4)			

4 Amount of average acquisition debt on or allocable to debt-financed property (attach schedule)	5 Average adjusted basis of or allocable to debt-financed property (attach schedule)	6 Column 4 divided by column 5	7 Gross income reportable (column 2 x column 6)	8 Allocable deductions (column 6 x total of columns 3(a) and 3(b))
(1)		%		
(2)		%		
(3)		%		
(4)		%		

Totals Enter here and on page 1, Part I, line 7, column (A) **0.** Enter here and on page 1, Part I, line 7, column (B) **0.**

Total dividends-received deductions included in column 8 **0.**

Schedule F - Interest, Annuities, Royalties, and Rents From Controlled Organizations (See instructions on page 21)

1 Name of Controlled Organization	2 Employer Identification Number	Exempt Controlled Organizations			
		3 Net unrelated income (loss) (see instructions)	4 Total of specified payments made	5 Part of column 4 that is included in the controlling organization's gross income	6 Deductions directly connected with income in column (5)
(1)					
(2)					
(3)					
(4)					

Nonexempt Controlled Organizations

7 Taxable income	8 Net unrelated income (loss) (see instructions)	9 Total of specified payments made	10 Part of column 9 that is included in the controlling organization's gross income	11 Deductions directly connected with income in column 10
(1)				
(2)				
(3)				
(4)				

Totals Add columns 5 and 10. Enter here and on page 1, Part I, line 8, column (A) **0.** Add columns 6 and 11. Enter here and on page 1, Part I, line 8, column (B) **0.**