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Eisner LLP
Accountants and Advisors

AMERICAN COUNCIL OF LEARNED SOCIETIES

FINANCIAL STATEMENTS

JUNE 30, 2009

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Council of Learned Societies
New York, New York

We have audited the accompanying statement of financial position of the American Council of Learned Societies (the "Council") as of June 30, 2009, and the related statement of activities, functional expenses, and cash flows for the nine months then ended. These financial statements are the responsibility of the Council's management. 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 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 enumerated above present fairly, in all material respects, the financial position of the American Council of Learned Societies as of June 30, 2009, and the changes in its net assets and its cash flows for the nine months then ended, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
January 29, 2010

AMERICAN COUNCIL OF LEARNED SOCIETIES

**Statement of Financial Position
June 30, 2009**

ASSETS

Cash	\$ 2,665,648
Grants and accounts receivable	543,212
Accrued interest and other assets	203,927
Investments	89,256,745
Property and equipment	3,922,258
Deferred debt issuance costs, net	<u>212,128</u>
	<u>\$ 96,803,918</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 477,891
Accrued post-retirement benefit cost	1,470,823
Fellowships payable	11,470,720
New York City Industrial Development Agency Bonds	<u>4,200,000</u>
	<u>17,619,434</u>

Contingency (see Note K)

Net assets:

Unrestricted:

Board-designated:

As endowment - Central fellowship program	25,443,886
Program administration	6,386,620
Undesignated	<u>4,134,386</u>

Total unrestricted 35,964,892

Temporarily restricted 18,072,633

Permanently restricted - endowment 25,146,959

79,184,484

\$ 96,803,918

AMERICAN COUNCIL OF LEARNED SOCIETIES

Statement of Activities Nine Months Ended June 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Support:				
U.S. government agencies		\$ 490,662		\$ 490,662
Foundations and corporations		4,429,438		4,429,438
Contributions:				
Individuals	\$ 154,701	35,512	\$ 20,000	210,213
University consortium	1,600,000			1,600,000
Net assets released from program restrictions	<u>12,559,371</u>	<u>(12,559,371)</u>		<u>0</u>
Total support	<u>14,314,072</u>	<u>(7,603,759)</u>	<u>20,000</u>	<u>6,730,313</u>
Revenue and investment (loss) income:				
Net investment (losses) income	(7,278,289)	157,535		(7,120,754)
Dues	586,791			586,791
Royalties	163,335			163,335
Other	<u>9,628</u>			<u>9,628</u>
Total revenue and investment (loss) income	<u>(6,518,535)</u>	<u>157,535</u>		<u>(6,361,000)</u>
Total support, revenue, and investment (loss) income	<u>7,795,537</u>	<u>(7,446,224)</u>	<u>20,000</u>	<u>369,313</u>
Expenses:				
Fellowships and other direct program costs	14,939,754			14,939,754
Program administration	1,822,411			1,822,411
Fund-raising	<u>41,250</u>			<u>41,250</u>
Total expenses	<u>16,803,415</u>			<u>16,803,415</u>
Change in net assets before pension related charges other than periodic costs	(9,007,878)	(7,446,224)	20,000	(16,434,102)
Pension related charges other than periodic costs	<u>(97,392)</u>			<u>(97,392)</u>
Change in net assets	(9,105,270)	(7,446,224)	20,000	(16,531,494)
Net assets, beginning of period	<u>45,070,162</u>	<u>25,518,857</u>	<u>25,126,959</u>	<u>95,715,978</u>
Net assets, end of period	<u>\$ 35,964,892</u>	<u>\$ 18,072,633</u>	<u>\$ 25,146,959</u>	<u>\$ 79,184,484</u>

AMERICAN COUNCIL OF LEARNED SOCIETIES

Statement of Functional Expenses Nine Months Ended June 30, 2009

	Fellowships and Other Direct Program Costs	Program Administration	Fund- raising	Total
Central fellowships (endowed)	\$ 2,096,884			\$ 2,096,884
Other fellowships and stipends	9,186,558			9,186,558
Salaries and employee benefits	1,514,053	\$ 898,764	\$ 32,043	2,444,860
Meetings, conferences and travel	544,344	231,691		776,035
Beijing support	641,696	22,214		663,910
Consultants, honoraria and professional fees	190,774	147,484	3,438	341,696
Office expense	249,295	78,500	5,769	333,564
Authors' fees and royalties	232,327			232,327
Depreciation and amortization		200,495		200,495
Interest expense		169,517		169,517
Printing, publishing and reports	125,841	41,471		167,312
Rent and maintenance	10,022	114,806		124,828
Dues	732	61,685		62,417
Miscellaneous	250	2,762		3,012
Overhead allocation	146,978	(146,978)		0
	<u>\$ 14,939,754</u>	<u>\$ 1,822,411</u>	<u>\$ 41,250</u>	<u>\$ 16,803,415</u>

AMERICAN COUNCIL OF LEARNED SOCIETIES

Statement of Cash Flows Nine Months Ended June 30, 2009

Cash flows from operating activities:

Change in net assets	\$ (16,531,494)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation and amortization	200,495
Net change in unrealized losses on fair value of investments	6,210,038
Net realized losses on sales of investments	4,613,578
Permanently restricted contributions	20,000
Changes in:	
Grants and accounts receivable	(61,686)
Accrued interest and other assets	(172,428)
Accounts payable and accrued expenses	35,743
Accrued post-retirement benefit	156,184
Fellowships payable	5,859,815
Deferred dues	<u>(685,215)</u>
Net cash used in operating activities	<u>(354,970)</u>

Cash flows from investing activities:

Proceeds from sales of investments	27,307,461
Purchases of investments	(24,835,080)
Purchases of property and equipment	<u>(50,139)</u>
Net cash provided by investing activities	<u>2,422,242</u>

Cash flows from financing activities:

Permanently restricted contributions	(20,000)
Bond principal repayments	<u>(101,250)</u>
Net cash used in financing activities	<u>(121,250)</u>

Increase in cash and cash equivalents

Cash and cash equivalents, beginning of period 719,626

Cash and cash equivalents, end of period

\$ 2,665,648

Supplemental disclosure of cash flow information:

Interest paid during the period \$ 169,517

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

The American Council of Learned Societies (the "Council"), incorporated in Washington D.C. in 1924, was established in 1919, and is located in New York City. The Council is a private, not-for-profit federation of national scholarly organizations, funded largely by grants from private foundations and universities and by federal grants (principally from the National Endowment for the Humanities and the U.S. Department of State). The purpose of the Council is the advancement of humanistic studies in all fields of learning and the maintenance and strengthening of relations among the national societies devoted to such studies.

The Council is exempt from federal income taxes under Section 501(c)(3) of the U.S. Internal Revenue Code, and from state and local taxes under comparable laws.

During fiscal-year 2009, the Council changed its fiscal-year end from September 30 to June 30. Accordingly, the accompanying financial statements are dated as of and for the nine months ended June 30, 2009.

[2] Basis of accounting:

The accompanying financial statements of the Council have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America, as applicable to not-for-profit entities.

[3] Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and expenses, as well as the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Functional allocation of expenses:

The cost of providing the various programs and supporting services has been summarized on a functional basis in the accompanying statement of activities. Accordingly, expenses have been allocated among the programs and supporting services using appropriate measurement methodologies developed by management.

[5] Grants and accounts receivable:

Grants and accounts receivable are due within one year and are expected to be fully collectible based on management's past experience.

[6] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, with realized and unrealized gains and losses included in the accompanying statement of activities. Mutual funds, consisting of bond and equity funds, are reported at their fair values, as determined by the related investment manager or advisor.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[6] Investments: (continued)

Limited partnerships and the private equity investment, which are forms of alternative investments, are not readily marketable and are carried at estimated fair values as provided by the respective investment managers. The Council's management reviews and evaluates the values provided by the investment managers to determine the reasonableness of the valuation methods and assumptions used in determining fair value. These estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed.

Contributions of marketable securities are recorded at their fair values at the dates of donation. Investment income is shown net of investment expenses.

[7] Property and equipment:

Property and equipment are stated at their costs at the dates of acquisition. Building improvements are also capitalized, whereas costs of repairs and maintenance are expensed as incurred. Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, which range from 5 to 30 years.

[8] Deferred debt issuance costs:

The cost associated with the issuance of New York City Industrial Development Agency Bonds has been capitalized and is being amortized over the life of the bonds on a straight-line basis. Amortization of deferred debt issuance was \$8,758 for the period ending June 30, 2009.

[9] Accrued vacation:

Based on their tenure, employees are entitled to be paid for unused vacation time if they leave the Council. The accrued vacation obligation was approximately \$206,000 for the period ending June 30, 2009 and was reported as part of accrued expenses in the accompanying statement of financial position.

[10] Net assets:

The accompanying statement of activities presents the changes in the various classifications of net assets for the nine months ended June 30, 2009. The Council's net assets, and the changes therein, are classified based on the existence or absence of donor-imposed restrictions and are reported as follows:

(i) *Unrestricted:*

Unrestricted net assets represent those resources not subject to donor-imposed restrictions. Substantially all of the Council's unrestricted net assets, exclusive of the amounts representing the property and equipment, have been allocated by formal resolution of the Board of Directors to board-designated endowment, the unrestricted earnings of which will be applied to future support of its central fellowship program and to program and administrative expenses. Annually, any amount up to, but not greater than, the excess of its unrestricted revenue over expenses, including unrealized gains or losses on its entire investment portfolio, may be so designated.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[10] Net assets: (continued)

(ii) *Temporarily restricted:*

Temporarily restricted net assets represent those resources that have been restricted by donors to specific purposes. They consist mostly of grants, primarily from governmental and private-sector sources, that are available for the support of specific program activities as stipulated in the grantor agreements. Net assets released from restrictions represent the satisfaction of the restricted purposes specified.

(iii) *Permanently restricted:*

Permanently restricted net assets represent the corpus of gifts and grants accepted with the stipulation that the principal be maintained in perpetuity, and earnings from investments and net investment gains thereof be available for the Council's programs and other purposes.

[11] Revenue recognition:

- (a) Restricted revenue received from U.S. government agencies, foundations and corporations is initially recorded as temporarily restricted upon the receipt of cash or unconditional obligations to give. As the restrictions are met, the support is reclassified as unrestricted. Restrictions are generally met when program and administration expenses relating to the designated purpose of the particular contract, grant or award are incurred.
- (b) The Council receives dues from its members. Dues applicable to a current year are recognized as revenue in that year. Dues received for a future year's membership are deferred and recognized on a pro-rata basis over the period of membership.

[12] Income tax uncertainties:

In fiscal-year 2010, the Council will adopt Financial Accounting Standards Board ("FASB") Interpretation No. 48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109" ("FIN 48"). Due to the Council's general tax-exempt status, FIN 48 is not expected to have a material effect on its financial statements.

[13] Fair-value measurement:

In fiscal-year 2009, the Council adopted FASB Statement on Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurement." Accordingly, the Council reports a fair-value measurement of all applicable assets and liabilities (see Note B).

[14] Endowment funds:

The Council reports all applicable disclosures of its Board-designated and donor-restricted funds treated as endowment. (see Note G).

[15] Subsequent events:

The Council considers the accounting treatments, and the related disclosures in the current fiscal-year's financial statements, that may be required as the result of all events or transactions that occur after the fiscal year-end through the date of the independent auditors' report.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE B - INVESTMENTS

At June 30, 2009, investments consisted of the following:

	<u>Fair Value</u>	<u>Cost</u>
Money-market funds	\$ 13,474,284	\$ 13,474,284
Certificate of deposits	9,635,000	9,635,000
Equity securities	22,955,691	26,554,832
Mutual funds	21,944,005	25,151,317
Limited partnerships	18,117,439	16,717,956
Private equity investment	<u>3,130,326</u>	<u>2,773,425</u>
	<u>\$ 89,256,745</u>	<u>\$ 94,306,814</u>

During the nine-month period ended June 30, 2009, net investment losses consisted of the following:

Interest and dividends	\$ 3,892,320
Net realized (losses)	(4,613,578)
Net unrealized (losses)	(6,210,038)
Less: investment expenses	<u>(189,458)</u>
	<u>\$ (7,120,754)</u>

The Council owns shares of a privately held, offshore company, the sole purpose of which is to be a limited partner in a limited-partnership investment vehicle. At June 30, 2009 the investment was valued at \$3,130,326. The Council's percentage of ownership of this investment does not warrant consolidation of the financial statements of the privately held company.

The Council has an unpaid capital commitment of \$160,000 at June 30, 2009, relating to its limited-partnership investments.

The Council measures its investments at fair value, in the following manner:

- requiring consideration of nonperformance risk when valuing liabilities;
- defining fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and establishing a framework for measuring fair value; and
- establishing a three-level hierarchy for fair-value measurement based upon the observability of inputs to the evaluation of an asset or liability as of the measurement date.

The three-level valuation hierarchy uses valuation techniques that are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

- Level 1 - quoted prices for *identical instruments* in active markets;
- Level 2 - quoted prices for *similar* instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations the significant inputs of which are observable; and
- Level 3 - instruments the significant inputs for which are *unobservable*.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE B - INVESTMENTS (CONTINUED)

The following table presents, for each of these hierarchy levels, the Council's financial assets that are measured at fair value on a recurring basis at June 30, 2009:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money-market funds	\$ 13,474,284		\$ 13,474,284
Certificate of deposits	9,635,000		9,635,000
Equity securities	22,955,691		22,955,691
Mutual funds	21,944,005		21,944,005
Limited partnerships		\$ 18,117,439	18,117,439
Private equity investment		<u>3,130,326</u>	<u>3,130,326</u>
Total investments	<u>\$ 68,008,980</u>	<u>\$ 21,247,765</u>	<u>\$ 89,256,745</u>

The following table summarizes the activity for the nine-month period ending June 30, 2009, for financial instruments classified within Level 3.

	<u>Limited Partnerships</u>	<u>Private Equity Investment</u>
Balance at September 30, 2008	\$ 20,965,614	\$ 3,143,144
Additional subscriptions	75,000	2,773,425
Withdrawals	(1,631,000)	(2,773,425)
Realized gains		1,273,425
Unrealized losses	<u>(1,292,175)</u>	<u>(1,286,243)</u>
Balance at June 30, 2009	<u>\$ 18,117,439</u>	<u>\$ 3,130,326</u>

NOTE C - PROPERTY AND EQUIPMENT

At June 30, 2009, property and equipment consisted of the following:

Building and improvements	\$ 4,716,861
Equipment	791,151
Furniture and fixtures	<u>232,382</u>
	5,740,394
Less: accumulated depreciation	<u>(1,818,136)</u>
	<u>\$ 3,922,258</u>

Depreciation expense for the nine-month period ending June 30, 2009 was \$191,737.

NOTE D - FELLOWSHIPS PAYABLE

Fellowships and stipends are awarded to institutions and individuals for the advancement of humanistic studies in all fields of learning. It is the Council's policy, in conjunction with grant agreements, to allow recipients to choose when payments of awards are to be received. Fellowships and stipends are usually paid over a period of one to nine years.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE D - FELLOWSHIPS PAYABLE (CONTINUED)

The Council records the expense and commitment of these fellowships and stipends when the awards are approved by the Council and accepted by the recipient. Fellowships and stipends are estimated to be paid as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 5,650,828
2011	659,500
2012	<u>5,160,392</u>
	<u>\$ 11,470,720</u>

During the nine-month period ending June 30, 2009, the Council awarded fellowships and stipends of \$11,283,442.

NOTE E - NEW YORK CITY INDUSTRIAL DEVELOPMENT AGENCY BONDS

To finance the acquisition of office space to be used as the Council's place of operations, in August 2002, the Council borrowed \$5,000,000 through the issuance, by the New York City Industrial Development Agency ("IDA"), of Civic Facility Revenue Bonds, Series 2002 (the "Bonds"). The Bonds, in an aggregate original face amount of \$5,000,000, mature on July 1, 2027 and bear interest at 5.250%. The Bonds may be redeemed by IDA or the Council at any time after July 1, 2012. The Bond indenture requires the Council to make annual sinking fund payments in amounts sufficient to permit the redemption of principal upon maturity. Sinking fund payments began on July 1, 2003 and are required every July 1 thereafter until July 1, 2027, as summarized below:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 145,000
2011	150,000
2012	160,000
2013	170,000
2014	175,000
Thereafter	<u>3,400,000</u>
	<u>\$ 4,200,000</u>

In connection with the issuance of the Bonds, the Council leased its properties to IDA for the duration of the debt, for a nominal rental, and concurrently leased the property back from IDA for the same period at a rental equal to annual debt service. The Council guarantees payment of rent under the lease agreement. Pursuant to the lease, the Council is required to maintain a Debt Service Reserve Fund. As of the nine-month period ending June 30, 2009, \$800,000 had been paid to the Debt Service Reserve Fund.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[3] Endowment net-asset composition by type of fund as of June 30, 2009: (continued)

At June 30, 2009, net assets were permanently restricted to support the following:

Central Fellowship Program:	
Mellon Foundation	\$ 12,300,000
Ford Foundation	7,068,400
National Endowment for the Humanities	2,750,000
Rockefeller Foundation	1,000,000
William & Flora Hewlett Foundation	500,000
Carnegie Corporation	100,000
Carl and Lily Pforzheimer Foundation	145,000
Other	<u>2,395</u>
	23,865,795
Program Administration:	
Mellon Foundation	1,000,000
Other:	
Lumiansky Fund	<u>281,164</u>
	<u>\$ 25,146,959</u>

[4] Changes in endowment net assets, for the nine-month period ending June 30, 2009:

	<u>Unrestricted</u>	<u>Central Fellowship</u>	<u>Permanently Restricted</u>	<u>Total</u>
Net assets, beginning of period		\$ 32,053,671	\$ 25,126,959	\$ 57,180,630
Contributions		1,754,701	20,000	1,774,701
Investment return		(6,248,085)	(1,030,205)	(7,278,290)
Transfers	<u>\$ 1,086,196</u>	<u>(2,116,401)</u>	<u>1,030,205</u>	<u>0</u>
Net assets, end of period	<u>\$ 1,086,196</u>	<u>\$ 25,443,886</u>	<u>\$ 25,146,959</u>	<u>\$ 51,677,041</u>

[5] Return objectives and risk parameters:

The Board of Directors evaluates its long-term asset allocation in meeting its fiduciary responsibilities for funding programs, protecting its endowment resources, and supporting future spending requirements. Accordingly, the Board has adopted investment policies for its endowment assets that seek to maintain the purchasing power.

[6] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Council relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Council targets a diversified asset within prudent risk constraints.

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE G - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[7] Spending policy and relation to the spending policy:

The Council has a policy of appropriating for distribution each year an average of 5 percent of its endowment fund's average fair value over the prior 12 quarters through the fiscal year-end proceeding the fiscal year in which the distribution is planned. This is consistent with the Council's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

NOTE H - RETIREMENT PLAN

For its eligible employees, the Council provides retirement benefits under a defined-contribution, §403(b) pension plan with the Teachers Insurance and Annuity Association of America. The Council contributes a minimum of 5% of each eligible employee's salary, as well as matches employee contributions up to a maximum of 5% of each eligible employee's salary. Contributions for the nine-month period ending June 30, 2009 were \$139,978.

NOTE I - POSTRETIREMENT MEDICAL BENEFIT PLAN

The Council sponsors an unfunded, non-contributory defined-benefit postretirement medical plan that covers employees hired prior to February 1, 1995.

The following sets forth the plan's funded status as of June 30, 2009, reconciled with amounts reported in the Council's financial statements:

Actuarial present value of benefit obligations:	
Expected benefit obligation	<u>\$ (1,573,691)</u>
Accumulated postretirement benefit obligation	\$ (1,470,823)
Plan assets	<u>0</u>
Funded status (excess of obligation over assets)	<u>\$ (1,470,823)</u>
Net periodic postretirement medical benefit costs included the following components:	
Service cost	\$ 17,978
Interest cost	66,388
Transition obligation amortization	18,857
Net loss amortization	<u>33,169</u>
Net periodic postretirement benefit cost	<u>\$ 136,392</u>
Adjustments to net assets, reported in the statement of activities:	
Net actuarial loss	\$ (149,418)
Unrecognized transition obligation	<u>52,026</u>
Funded status (excess of obligation over assets)	<u>\$ (97,392)</u>
Weighted-average assumptions:	
Discount rate	6.00%
Medical cost-trend rate	5.00%

AMERICAN COUNCIL OF LEARNED SOCIETIES

Notes to Financial Statements June 30, 2009

NOTE I - POSTRETIREMENT MEDICAL BENEFIT PLAN (CONTINUED)

The medical cost-trend rate will decrease to 5.00% in 2012.

A one percentage-point increase in the assumed health-care cost-trend rates for each year would have resulted in an increase in the accumulated postretirement benefit obligation as of June 30, 2009 of \$166,879 and an increase in the aggregate cost components of net period postretirement benefit cost of \$6,652.

Employer contributions and benefits paid were \$77,600 for the nine-month period ending June 30, 2009. The estimated amount of the Council's contributions for the fiscal-year ending June 30, 2010 is \$97,600.

The following table illustrates the benefit distributions that would be paid over the next 10 fiscal years:

<u>Year Ending June 30,</u>	<u>Expected Benefit Distributions</u>
2010	\$ 97,600
2011	102,900
2012	108,400
2013	105,000
2014	128,100
2015 - 2019	578,600

NOTE J - CONCENTRATION OF CREDIT RISK

The Council places its temporary cash investments with high-credit-quality financial institutions in amounts which, at times, may exceed federally insured limits. Management believes that the Council is not subject to a significant risk of loss on these accounts.

NOTE K - CONTINGENCY

U.S. government grants are subject to audit in the future by governmental authorities. Accordingly, the Council could be required to fund any disallowed costs for its own federally supported programs, as well as for the Council for the International Exchange of Scholars during the period of the Council's stewardship. In management's opinion, any such audits would not result in disallowed costs in amounts that would be significant to the Council's operations.

The Council is subject to litigation in the routine course of conducting business. In management's opinion, however, there is no current litigation, the outcome of which would have a material adverse impact on the Council's financial position.