



**THE FOUNDATION CENTER**

Financial Statements

December 31, 2009 and 2008

(With Independent Auditors' Report Thereon)



**KPMG LLP**  
345 Park Avenue  
New York, NY 10154

## **Independent Auditors' Report**

The Board of Trustees  
The Foundation Center:

We have audited the accompanying balance sheets of The Foundation Center (the Center) as of December 31, 2009 and 2008, and the related statements of changes in unrestricted net assets, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 Foundation Center as of December 31, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

April 22, 2010

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Balance Sheets

December 31, 2009 and 2008

<b>Assets</b>	<b>2009</b>	<b>2008</b>
Cash	\$ 169,738	151,735
Contributions and other receivables, net of allowance for doubtful accounts (note 2)	3,949,238	4,552,775
Publications inventory	132,661	132,636
Investments (note 3)	18,071,554	17,410,237
Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of \$8,937,193 and \$8,402,310 in 2009 and 2008, respectively	2,394,070	2,691,589
Other assets	371,126	469,552
Total assets	\$ 25,088,387	25,408,524
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 993,135	863,631
Deferred revenue	4,640,734	4,489,781
Accumulated postretirement benefit obligation (note 4)	1,797,169	1,662,517
Total liabilities	7,431,038	7,015,929
Commitments (note 8)		
Net assets:		
Unrestricted:		
Undesignated	237,020	252,031
Board-designated for long-term investment (note 5)	9,127,954	8,002,954
Investment in furniture, equipment, and leasehold improvements	2,394,070	2,691,589
Total unrestricted	11,759,044	10,946,574
Temporarily restricted (note 6)	4,184,305	5,732,021
Permanently restricted (note 6):		
General purposes	1,000,000	1,000,000
Library acquisitions	250,000	250,000
Public education	464,000	464,000
Total permanently restricted	1,714,000	1,714,000
Total net assets	17,657,349	18,392,595
Total liabilities and net assets	\$ 25,088,387	25,408,524

See accompanying notes to financial statements.

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Statements of Changes in Unrestricted Net Assets

Years ended December 31, 2009 and 2008

	<u>Operating</u>	<u>Nonoperating</u>	<u>Long-term investment</u>	<u>Total</u>	
				<u>2009</u>	<u>2008</u>
Revenues and gains:					
Foundation and corporate contributions	\$ 2,082,879	—	—	2,082,879	3,717,487
Publication revenues	10,916,274	—	—	10,916,274	11,227,639
Program service and other fees	2,075,507	—	—	2,075,507	2,351,680
Investment return (loss) (note 3)	380,902	2,587,411	—	2,968,313	(2,848,455)
Net assets released from restrictions (note 5)	4,649,764	21,661	125,000	4,796,425	6,892,317
Total revenues and gains	<u>20,105,326</u>	<u>2,609,072</u>	<u>125,000</u>	<u>22,839,398</u>	<u>21,340,668</u>
Expenses and losses:					
Program services:					
Data collection and publications	8,511,269	235,387	—	8,746,656	9,463,388
Library/learning centers and other public services	4,502,336	97,840	—	4,600,176	5,122,898
Research and other programs	1,754,126	52,083	—	1,806,209	1,804,131
Total program services	<u>14,767,731</u>	<u>385,310</u>	<u>—</u>	<u>15,153,041</u>	<u>16,390,417</u>
Supporting services:					
Management and general	4,141,356	118,667	—	4,260,023	4,828,055
Fundraising	921,956	30,906	—	952,862	819,318
Total supporting services	<u>5,063,312</u>	<u>149,573</u>	<u>—</u>	<u>5,212,885</u>	<u>5,647,373</u>
Total expenses and losses	<u>19,831,043</u>	<u>534,883</u>	<u>—</u>	<u>20,365,926</u>	<u>22,037,790</u>
Acquisition of furniture, equipment, and leasehold improvements from operations	(215,703)	215,703	—	—	—
Increase in board-designated amount for long-term investment (note 5)	—	(1,000,000)	1,000,000	—	—
Expenses associated with reduction-in-force (note 4)	—	(1,709,135)	—	(1,709,135)	—
Pension and postretirement changes other than net periodic benefit cost (note 4)	—	48,133	—	48,133	(211,305)
Increase (decrease) in unrestricted net assets	<u>\$ 58,580</u>	<u>(371,110)</u>	<u>1,125,000</u>	<u>812,470</u>	<u>(908,427)</u>

See accompanying notes to financial statements.

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**Statements of Changes in Net Assets**  
**Years ended December 31, 2009 and 2008**

	<u><b>2009</b></u>	<u><b>2008</b></u>
Increase (decrease) in unrestricted net assets	\$ 812,470	(908,427)
Changes in temporarily restricted net assets:		
Foundation and corporate contributions	3,219,022	3,756,764
Investment return (note 3)	29,687	25,927
Net assets released from restrictions:		
For operating activities	(4,649,764)	(5,254,295)
For capital purposes	(21,661)	(58,022)
For long-term investment (note 5)	<u>(125,000)</u>	<u>(1,580,000)</u>
Decrease in temporarily restricted net assets	<u>(1,547,716)</u>	<u>(3,109,626)</u>
Changes in permanently restricted net assets:		
Foundation and corporate contributions	<u>—</u>	<u>100,000</u>
Increase in permanently restricted net assets	<u>—</u>	<u>100,000</u>
Decrease in net assets	(735,246)	(3,918,053)
Net assets at beginning of year	<u>18,392,595</u>	<u>22,310,648</u>
Net assets at end of year	<u><u>\$ 17,657,349</u></u>	<u><u>18,392,595</u></u>

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2009 and 2008

	<b>2009</b>	<b>2008</b>
Cash flows from operating activities:		
Decrease in net assets	\$ (735,246)	(3,918,053)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	534,883	610,519
Decrease in allowance for doubtful accounts	(5,000)	—
Net (appreciation) depreciation in fair value of investments	(2,570,954)	3,367,451
Capital campaign contributions	(16,410)	(1,926,895)
Changes in operating assets and liabilities, net:		
Contributions and other receivables, less amounts classified as financing activities	(312,780)	(110,390)
Publications inventory	(25)	45,654
Other assets	98,426	(64,826)
Accounts payable and accrued expenses	129,504	(127,503)
Deferred revenue	150,953	390,689
Accumulated postretirement benefit obligation	134,652	370,851
Net cash used in operating activities	(2,591,997)	(1,362,503)
Cash flows from investing activities:		
Purchase of investments	(3,051,496)	(2,745,710)
Proceeds from sale of investments	4,961,133	2,063,598
Acquisition of furniture, equipment, and leasehold improvements	(237,364)	(372,794)
Net cash provided by (used in) investing activities	1,672,273	(1,054,906)
Cash flows from financing activity:		
Cash received from capital campaign	937,727	2,329,220
Net cash provided by financing activity	937,727	2,329,220
Net increase (decrease) in cash	18,003	(88,189)
Cash at beginning of year	151,735	239,924
Cash at end of year	\$ 169,738	151,735

See accompanying notes to financial statements.

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Notes to Financial Statements

December 31, 2009 and 2008

### (1) Organization and Summary of Significant Accounting Policies

#### *Organization*

The Foundation Center (the Center) is a not-for-profit organization exempt from U.S. federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been designated as an organization that is not a private foundation. The Center's mission is to strengthen the nonprofit sector by advancing knowledge about U.S. philanthropy. The Center achieves this mission by collecting, organizing, and communicating information on U.S. philanthropy, conducting and facilitating research on trends in the field, providing education and training on the grantseeking process, and ensuring public access to information and services through its web site, print and electronic publications, five library/learning centers, and a national network of Cooperating Collections. Its audience includes grantseekers, grantmakers, researchers, policymakers, the media, and the general public.

#### *Summary of Significant Accounting Policies*

##### *(a) Basis of Presentation*

The net assets of the Center and changes therein are classified and reported as follows:

***Unrestricted net assets*** – Net assets that are not subject to donor-imposed stipulations. This category of net assets includes amounts designated by the board of trustees (board) for long-term investment and amounts invested in furniture, equipment, and leasehold improvements, net of accumulated depreciation and amortization.

***Temporarily restricted net assets*** – Net assets subject to donor-imposed stipulations that will be met by actions of the Center and/or the passage of time.

***Permanently restricted net assets*** – Net assets subject to donor-imposed stipulations that the principal be maintained permanently by the Center. The Center is permitted to use the income earned on the related investments for general or specified operating purposes.

Revenues are reported as increases in unrestricted net assets unless their use is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

##### *(b) Fair Value*

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that a reporting entity has the ability to access at the measurement date.

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- 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.

The Center adopted Accounting Standards Update No. 2009-12, *Fair Value Measurements and Disclosures – Investments in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent)*, with respect to investments within its scope (principally hedge funds and private equity – collectively alternative investments). This guidance amends Accounting Standards Codification (ASC) No. 820-10 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. In addition, classification of these investments within the fair value hierarchy is based on the Center’s ability to timely redeem its interest rather than on valuation inputs.

#### (c) *New Accounting Pronouncements*

In June 2009, the Financial Accounting Standards Board (FASB) issued ASC No. 105-10 (formerly referred to as SFAS No. 168), *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* (ASC 105-10). The Codification brings together and organizes all Generally Accepted Accounting Principles (GAAP) previously in Levels A through D of the GAAP Hierarchy and designates GAAP into two levels, authoritative and nonauthoritative. As of December 31, 2009, the Center adopted ASC 105-10.

Effective December 31, 2009, the Center adopted ASC No. 855-10 (formerly referred to as SFAS No. 165), *Subsequent Events* (ASC 855-10). ASC 855-10 establishes principles and requirements for subsequent events and applies to accounting for and disclosure of subsequent events not addressed in other applicable generally accepted accounting principles. The Center evaluated events subsequent to December 31, 2009 through April 22, 2010, the date on which the financial statements were approved for issuance. The adoption of ASC 855-10 had no impact on the Center’s financial statements.

In June 2006, FASB issued ASC No. 740-10 (formerly referred to as FIN 48), *Accounting for Uncertainty in Income Taxes* (ASC 740-10), which addresses accounting for, and disclosure of, uncertain tax positions. ASC 740-10 prescribes a model for how an entity should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the entity has taken or expects to take on a tax return. Under ASC 740-10, the financial statements will reflect expected future tax consequences of such positions, presuming the tax authorities’ full knowledge of the position and all relevant facts. ASC 740-10 will require an entity to recognize the benefit of tax positions when it is “more likely than not” that the provision will be sustainable based on the merits of the position. The Center adopted ASC 740-10 in 2009. The adoption of ASC 740-10 had no impact on the Center’s financial statements.

#### (d) *Other Matters*

Cash and cash equivalents managed for long-term investment purposes are included in investments.

Publications inventory is stated at the lower of direct production cost (first in, first out) or market.

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Revenue is recognized during the fiscal year in which the service relates. Deferred revenue primarily includes annual subscriptions paid in advance of the period to which they relate.

Contributions, which include unconditional promises to give, are recognized as revenues in the period received.

Authorship costs are recorded as program expenses in the year incurred.

Depreciation and amortization are provided on a straight-line basis over a 10-year estimated useful life for furniture and equipment, over a 5-year estimated useful life for electronic equipment, and over the shorter of the remaining term of the lease or useful lives for leasehold improvements.

Total investment return (loss) net of the amount appropriated for operations, net assets released from restrictions for capital purposes, depreciation and amortization expense, and other gains or losses and other non-recurring activities are reported as nonoperating activities in the current year's statement of changes in unrestricted net assets.

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. Actual results could differ from those estimates.

Other significant accounting policies are set forth in the financial statements and the following notes.

#### (2) Contributions and Other Receivables

Contributions and other receivables consist of the following at December 31:

	<u>2009</u>	<u>2008</u>
Contributions receivable, due to be collected as follows:		
Less than one year	\$ 1,864,890	2,513,924
One to five years	1,342,000	1,481,100
Other receivables	792,348	612,751
Allowance for doubtful accounts	<u>(50,000)</u>	<u>(55,000)</u>
	<u>\$ 3,949,238</u>	<u>4,552,775</u>

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At December 31, 2009, the Center's contributions receivables include \$1,300,000 receivable from one donor. There was no such concentration at December 31, 2008.

**(3) Investments**

Cash equivalents are carried at fair value based upon quoted market prices. Investment in bonds and notes, and common and preferred stocks is through a fund of funds. The underlying securities in the fund are primarily marketable. The investments are not subject to any redemption restrictions or lock up. Investments at December 31, 2009 and 2008 consist of the following:

	<b>2009</b>	<b>2008</b>
Cash equivalents	\$ 6,105,510	9,125,952
Bonds and notes	3,405,241	2,918,672
Common and preferred stocks	8,560,803	5,365,613
	\$ 18,071,554	17,410,237

The following table presents the Center's fair value hierarchy for those assets measured at fair value as of December 31, 2009 and 2008:

	<b>2009 Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets:				
Cash equivalents	\$ 6,105,510	6,105,510	—	—
Bonds and notes	3,405,241	—	3,405,241	—
Common and preferred stocks	8,560,803	—	8,560,803	—
Total	\$ 18,071,554	6,105,510	11,966,044	—

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	<b>2008</b>			
	<b>Fair value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial assets:				
Cash equivalents	\$ 9,125,952	9,125,952	—	—
Bonds and notes	2,918,672	—	2,918,672	—
Common and preferred stocks	5,365,613	—	5,365,613	—
Total	\$ <u>17,410,237</u>	<u>9,125,952</u>	<u>8,284,285</u>	<u>—</u>

The board has approved an annual spending rate of up to 4.5% of the average market value of the investments managed by the investment manager at the end of the three preceding years. The components of investment return for the years ended December 31, 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
Interest and dividends	\$ 427,046	544,924
Net appreciation (depreciation) in fair value of investments	<u>2,570,954</u>	<u>(3,367,451)</u>
Total investment return	2,998,000	(2,822,527)
Less investment return appropriated under spending policy, including temporarily restricted amount of \$29,687 and \$25,927 in 2009 and 2008, respectively	<u>410,589</u>	<u>571,027</u>
Investment return reported as nonoperating	\$ <u>2,587,411</u>	<u>(3,393,554)</u>

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Notes to Financial Statements

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**(4) Postretirement Healthcare Benefits**

The Center sponsors an unfunded postretirement healthcare plan that covers employees who meet certain eligibility requirements. The Center chose to enroll eligible retirees into a Medicare Advantage Plan. The Center's postretirement healthcare benefits program has been terminated with respect to individuals whose Center employment terminates on or after November 1, 2009 except for individuals who elected to participate in, and retire under, the Center's Voluntary Early Retirement Program (VERP), and who satisfy the VERP's requirements for Retiree Health Benefits. These individuals remain eligible for health benefits after retirement from the Center, in accordance with and subject to the Center's retiree health program terms, even if their employment terminates after October 31, 2009. The expenses associated with the Center's reduction in force, as reflected in the statement of changes in unrestricted net assets, totaled \$1,709,135 and is considered part of supporting services.

The following table provides information with respect to the plan as of and for the years ended December 31, 2009 and 2008:

	<b>2009</b>	<b>2008</b>
Change in benefit obligation:		
Benefit obligation at January 1	\$ 1,662,517	1,291,666
Net periodic benefit cost	211,065	178,761
Benefits paid	(28,280)	(19,215)
	1,845,302	1,451,212
 Pension and postretirement changes other than net periodic benefit cost:		
Actuarial loss	226,955	211,305
Plan amendments	(275,088)	—
Benefit obligation at December 31	\$ 1,797,169	1,662,517
Net periodic benefit cost	\$ 211,065	178,761
Employer contributions	28,280	19,215
Benefits paid	28,280	19,215

The assumptions used in the measurement of the Center's benefit obligation are shown in the following table:

	<b>2009</b>	<b>2008</b>
Weighted average discount rate as of December 31	6.05%	5.88%
Medical trend rates (applied to net incurred claims)	9.00% during 2009 and 10.00% in 2010 grading to 5.00% by 2015	10.00% during 2008 and 9.00% in 2009 grading to 5.00% by 2013

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The assumption used in the measurement of the Center's net periodic benefit cost is shown in the following table:

	<b>2009</b>	<b>2008</b>
Weighted average discount rate as of December 31	5.88%	6.55%

Assumed healthcare cost trend rates have a significant effect on the amounts reported for healthcare plans. A 1% point change in assumed healthcare cost trend rates would have the following effects on the amounts reported:

	<b>2009</b>		<b>2008</b>	
	<b>1% increase</b>	<b>1% decrease</b>	<b>1% increase</b>	<b>1% decrease</b>
Effect on total service and interest cost	\$ 56,098	(43,659)	43,635	(34,129)
Effect on postretirement benefit obligation	202,122	(171,864)	363,714	(286,196)

Projected premium payments for each of the next five years and thereafter through 2020 are as follows:

	<b>Amount</b>
2010	\$ 143,445
2011	157,855
2012	144,794
2013	146,899
2014	148,151
Thereafter through 2020	734,890
	\$ 1,476,034

On November 1, 2009, the Center amended its postretirement healthcare plan resulting in a gain of \$275,088. In addition, as of December 31, 2009, a net actuarial loss of \$226,955 was not yet recognized as a component of net periodic postretirement benefit cost. The resulting net gain of \$48,133 is recorded on the December 31, 2009 statement of changes in unrestricted net assets, increasing unrestricted net assets.

It is estimated that \$99,670 of the actuarial loss will be included as a component of net periodic benefit cost in fiscal year 2010.

**(5) Board-Designated Amounts for Long-Term Investment**

The board-designated amount for long-term investment was established by the board of trustees as a means to enhance the sustainability of the Center. It is an unrestricted fund with net assets of \$9,127,954 and \$8,002,954 (including \$806,067 and \$323,852 of net appreciation on permanently restricted endowment) at December 31, 2009 and 2008, respectively. In 2009, \$125,000 in foundation contributions was released

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from restrictions and an additional amount of \$1,000,000 was designated by the board for long-term investment. In 2008, \$2,880,000 of foundation and corporate contributions were received from donors or designated by the board for this purpose and a reduction of \$3,525,000 was authorized.

**(6) Net Assets**

Temporarily restricted net assets were available for the following purposes or for future periods at December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Data collection and publications	\$ 26,000	192,667
Library/learning centers and other public services	830,963	1,187,636
Other programs	562,268	244,949
Capital campaign initiatives	1,170,974	2,632,236
Future periods	<u>1,594,100</u>	<u>1,474,533</u>
Total	\$ <u>4,184,305</u>	<u>5,732,021</u>

The Center has three permanently restricted endowments; general endowment, library acquisition endowment, and public education endowment.

The general endowment was established in 1996. The income from this endowment is unrestricted and used for general purposes. This fund's permanently restricted net assets totaled \$1,000,000 at December 31, 2009 and 2008.

The library acquisitions endowment fund was created to provide support for acquisitions for the Center's New York library. Income from the library acquisitions endowment is temporarily restricted. In 2008, the Center received an additional contribution of \$100,000 to this fund. This fund's permanently restricted net assets totaled \$250,000 at December 31, 2009 and 2008.

The public education fund was created to provide support for the Center's public education programs. Income from the public education is temporarily restricted. This fund's permanently restricted net assets totaled \$464,000 at December 31, 2009 and 2008.

The composition of the Center's donor-restricted endowment by net asset class and reconciliation of the beginning and ending balances at December 31, 2009 and 2008 are as follows:

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at January 1, 2009	\$ 323,852	—	1,714,000	2,037,852
Investment return	27,845	29,687	—	57,532
Contribution	—	—	—	—
Distributions	(51,769)	(29,687)	—	(81,456)
Net appreciation of investments	<u>506,139</u>	<u>—</u>	<u>—</u>	<u>506,139</u>
Balance at December 31, 2009	\$ <u>806,067</u>	<u>—</u>	<u>1,714,000</u>	<u>2,520,067</u>

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	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at January 1, 2008	\$ 1,150,743	—	1,614,000	2,764,743
Investment return	28,258	25,928	—	54,186
Contribution	—	—	100,000	100,000
Distributions	(70,255)	(25,928)	—	(96,183)
Net depreciation of investments	(784,894)	—	—	(784,894)
Balance at December 31, 2008	\$ <u>323,852</u>	<u>—</u>	<u>1,714,000</u>	<u>2,037,852</u>

**(7) Pension Plan**

The Center has a noncontributory, defined contribution group annuity pension plan, which provides for the option of voluntary employee contributions and covers all employees who meet minimum age and service requirements. Pension costs are funded when accrued, and benefits vest on contribution to the plan. Total cost of the plan for the years ended December 31, 2009 and 2008 amounted to approximately \$993,000 and \$923,000, respectively.

**(8) Lease Commitments**

The Center occupies office facilities in New York City, Washington, D.C., Cleveland, San Francisco, and Atlanta under various lease agreements that expire at various dates through 2019. Beginning in 2005, the Center subleases part of its New York City facility. Future minimum annual rental payments under the lease agreements, net of sublease income, are as follows:

	<u>Amount</u>
Year ending December 31:	
2010	\$ 1,815,657
2011	1,938,376
2012	2,231,577
2013	2,313,733
2014	2,362,236
Thereafter	<u>2,589,031</u>
	\$ <u>13,250,610</u>

In connection with the New York lease, the Center maintained a letter of credit in the amount of \$400,000 as of December 31, 2009 and 2008. There were no amounts outstanding under this line of credit during the year or at December 31, 2009 and 2008. Rent expense was approximately \$1,993,000 and \$1,943,000 in 2009 and 2008, respectively.