AMERICAN ACADEMY OF ACTUARIES

FINANCIAL STATEMENTS

DECEMBER 31, 2010 AND 2009

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CONTENTS

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
American Academy of Actuaries

We have audited the accompanying statements of financial position of the American Academy of Actuaries (the Academy) as of December 31, 2010 and 2009, and the related statements of activities, expenses by categories, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Academy'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 an 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 Academy'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 American Academy of Actuaries as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Calibre CPA Group, PLLC

Washington, DC
May 5, 2011

AMERICAN ACADEMY OF ACTUARIES

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,819,875	$ 2,361,475
Certificates of deposit	3,358,080	2,384,955
Accounts receivable	321,568	355,042
Due from Casualty Actuarial Society	46,676	51,676
Due from Conference of Consulting Actuaries	15,000	15,000
Prepaid expenses	96,966	147,341
Total current assets	7,658,165	5,315,489
LONG-TERM INVESTMENTS		
Mutual funds, at fair value	5,214,678	4,548,138
Certificates of deposit	593,955	172,080
Total long-term investments	5,808,633	4,720,218
FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, net	1,499,479	1,726,952
Total assets	$14,966,277	$11,762,659
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 218,695	$ 292,956
Accrued expenses	298,550	386,872
Accrued annual leave	92,500	104,500
Deferred revenue		
Membership dues	4,242,807	3,400,210
Other	115,853	47,782
Deferred rent liability	45,784	45,783
Total current liabilities	5,014,189	4,278,103
DEFERRED RENT LIABILITY - long-term	506,585	466,918
LIABILITY FOR PENSION BENEFITS - defined benefit plan	231,488	222,963
Total liabilities	5,752,262	4,967,984
UNRESTRICTED NET ASSETS		
Undesignated	9,065,486	6,556,543
Designated - Actuarial Board for Counseling and Discipline Litigation Fund	148,529	238,132
Total net assets	9,214,015	6,794,675
Total liabilities and net assets	$14,966,277	$11,762,659

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Activities

Years Ended December 31, 2010 and 2009

	2010	2009
Revenue		
Membership dues	$ 8,863,335	$ 8,542,162
Membership application fees	41,400	56,400
Investment income, net of expenses of $9,461 and $8,825	113,999	132,897
Enrolled Actuaries Meeting distribution	135,971	153,977
Casualty Loss Reserve Seminar distribution	46,676	51,676
Seminars	194,647	209,860
Advertising income	638,926	740,356
Manual sales	114,710	108,260
Webcast income	151,711	193,528
Service fees	180,238	200,154
Administrative services	28,062	26,567
Other	139,576	65,502
Total revenue	10,649,251	10,481,339
Expenses	9,351,556	9,917,434
Change in net assets from operating activities	1,297,695	563,905
Other changes in net assets		
Net appreciation in fair value of mutual funds	575,762	945,638
Pension-related changes other than net periodic pension cost	(25,230)	85,408
Legal settlement - insurance recovery	616,650	-
Legal settlement - expense	-	(600,000)
Academy legal fees associated with legal settlement	(45,537)	(401,350)
Change in net assets	$ 2,419,340	$ 593,601

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Expenses by Categories

Years Ended December 31, 2010 and 2009

	2010				2009			
	Academy Operations	Actuarial Standards Boards	Actuarial Board for Counseling and Discipline	Total	Academy Operations	Actuarial Standards Boards	Actuarial Board for Counseling and Discipline	Total
Salaries	$ 3,439,907	$ 168,305	$ 140,294	$ 3,748,506	$ 3,546,090	$ 194,170	$ 139,365	$ 3,879,625
Employee insurance	253,379	12,397	10,334	276,110	235,903	12,917	9,271	258,091
Payroll taxes	225,695	11,043	9,205	245,943	226,376	12,395	8,897	247,668
Pension plans	342,801	16,772	13,981	373,554	353,421	19,352	13,890	386,663
Temporary help and personnel fees	27,647	-	-	27,647	10,000	-	-	10,000
Rent	885,878	43,344	36,130	965,352	847,110	46,384	33,292	926,786
Telephone	46,757	2,288	1,907	50,952	48,184	2,638	1,894	52,716
Postage and freight	15,705	2,429	3,316	21,450	13,798	1,508	2,192	17,498
Travel and related expense	63,097	66,381	66,575	196,053	87,657	81,292	48,245	217,194
Annual meeting	37,096	-	-	37,096	93,269	-	-	93,269
Spring meeting	-	-	-	-	-	-	-	-
Seminars	104,370	-	-	104,370	97,954	-	-	97,954
Committee meetings	152,086	36,991	21,436	210,513	140,085	29,112	33,419	202,616
President and President-elect travel	64,149	-	-	64,149	73,099	-	-	73,099
General office supplies and equipment rental	102,335	5,007	4,174	111,516	108,613	5,947	4,269	118,829
Technology and database	104,017	5,089	4,242	113,348	92,091	5,043	3,619	100,753
Printing	21,022	7,491	-	28,513	23,476	12,254	808	36,538
Personnel development	7,459	-	-	7,459	3,937	800	-	4,737
Professional services	95,845	-	41,203	137,048	214,037	-	49,945	263,982
Audit and accounting	27,659	1,353	1,128	30,140	30,163	1,652	1,185	33,000
Insurance	27,472	1,344	1,120	29,936	28,654	1,569	1,126	31,349
Depreciation and amortization	236,775	11,585	9,657	258,017	247,680	13,562	9,734	270,976
Subscriptions and periodicals	42,386	-	2,980	45,366	42,924	-	3,117	46,041
Communications	99,068	-	-	99,068	65,779	15,047	-	80,826
Membership/external relations programs	55,323	-	-	55,323	83,489	-	-	83,489
Affiliation fees	248,331	-	-	248,331	200,809	-	-	200,809
Contingencies	481,775	-	-	481,775	560,859	-	-	560,859
Manuals	129,343	-	-	129,343	109,477	-	-	109,477
Contribution - Actuarial Foundation	88,000	-	-	88,000	88,000	-	-	88,000
Health Practice Council	278,249	-	-	278,249	265,988	-	-	265,988
Pension Practice Council	92,978	-	-	92,978	103,296	-	-	103,296
Life Practice Council	259,042	-	-	259,042	246,713	-	-	246,713
Casualty Practice Council	44,913	-	-	44,913	35,349	-	-	35,349
Council on Professionalism	15,442	-	-	15,442	14,248	-	-	14,248
Risk Management and Financial Reporting Practice Council	49,725	-	-	49,725	40,342	-	-	40,342
International Secretary/Representatives travel	41,673	-	-	41,673	35,996	-	-	35,996
Income taxes	53,604	-	-	53,604	102,187	-	-	102,187
Bank and credit card fees	221,883	-	-	221,883	227,503	-	-	227,503
Webcast expenses	38,819	-	-	38,819	33,579	-	-	33,579
Investigative	-	-	33,689	33,689	-	-	40,687	40,687
Lease termination losses and moving costs	-	-	-	-	244,773	-	-	244,773
Other	34,269	777	1,615	36,661	31,326	1,365	1,238	33,929
	$ 8,555,974	$ 392,596	$ 402,986	$ 9,351,556	$ 9,054,234	$ 457,007	$ 406,193	$ 9,917,434

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Changes in Net Assets

Years Ended December 31, 2010 and 2009

	Undesignated	Designated	Total
Unrestricted net assets, December 31, 2008	$ 5,963,731	$237,343	$ 6,201,074
Year Ended December 31, 2009			
Change in net assets	592,812	789	593,601
Unrestricted net assets, December 31, 2009	6,556,543	238,132	6,794,675
Year Ended December 31, 2010			
Change in net assets	2,419,307	33	2,419,340
Designated net assets applied to expenses	89,636	(89,636)	-
Unrestricted net assets, December 31, 2010	$ 9,065,486	$148,529	$ 9,214,015

See accompanying notes to financial statements.

American Academy of Actuaries

Statements of Cash Flows

Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities		
Change in net assets	$ 2,419,340	$ 593,601
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	258,017	270,976
Loss on disposal of property and equipment	-	18,010
Net appreciation in fair value of mutual funds	(575,762)	(945,638)
(Increase) decrease in assets		
Accounts receivable	33,474	(5,337)
Due from Casualty Actuarial Society	5,000	22,437
Prepaid expenses	50,375	85,616
Deposit on furniture purchase	-	75,400
Increase (decrease) in liabilities		
Accounts payable	(74,261)	(395,298)
Pension-related liabilities	(79,797)	4,880
Accrued annual leave	(12,000)	19,125
Deferred membership dues	842,597	58,129
Other deferred revenue	68,071	1,827
Deferred rent liability	39,668	492,124
Net cash provided by operating activities	2,974,722	295,852
Cash flows from investing activities		
Purchases of furniture, equipment, and leasehold improvements	(30,544)	(903,414)
Proceeds from maturities of certificates of deposit	3,728,955	3,225,950
Purchases of certificates of deposit	(5,123,955)	(4,422,935)
Purchases of mutual funds and reinvested earnings	(90,778)	(87,003)
Net cash used for investing activities	(1,516,322)	(2,187,402)
Net increase (decrease) in cash and cash equivalents	1,458,400	(1,891,550)
Cash and cash equivalents		
Beginning of year	2,361,475	4,253,025
End of year	$ 3,819,875	$ 2,361,475
Supplemental disclosure of cash flow information		
Cash paid during the year for income taxes	$ 77,313	$ 173,769

See accompanying notes to financial statements.

NOTE 1. THE ORGANIZATION

As the organization representing the entire United States actuarial profession, the American Academy of Actuaries (the Academy), founded in 1965, serves the public and the actuarial profession both nationally and internationally through:

- establishing, maintaining and enforcing high professional standards of actuarial qualification, practice and conduct,
- assisting in the formulation of public policy by providing independent and objective information, analysis and education, and
- in cooperation with other organizations representing actuaries
  - representing and advancing the actuarial profession, and
  - increasing the public's recognition of the actuarial profession's value.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting - The financial statements have been prepared using the accrual method of accounting.

Net Assets - The Academy had no permanently restricted or temporarily restricted net assets at December 31, 2010 and 2009. The Academy's unrestricted net assets as of December 31, 2010 and 2009 consisted of the following:

Undesignated Net Assets

Reflects transactions related to the general operations of the Academy, the Actuarial Standards Board (ASB) and the Actuarial Board for Counseling and Discipline (ABCD). The ASB was established in 1988 within the Academy to develop and promulgate actuarial standards of practice. The ABCD was established in 1992 within the Academy to work with the profession to maintain the quality and integrity of the actuary's work. It is the ABCD's duty to uphold the actuarial profession's standards of conduct, practice, and qualification. The organizations participating in the funding of the ASB and ABCD include: American Society of Pension Professionals and Actuaries (ASPPA), Casualty Actuarial Society (CAS), Conference of Consulting Actuaries (CCA), Society of Actuaries (SOA), and the Academy.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Designated Net Assets

Reflects transactions related to the ABCD Litigation Fund. The ABCD Litigation Fund was established in 1993 in anticipation of potential suits filed by actuaries disciplined based on recommendations of the ABCD. The initial funding was obtained through a transfer from the Academy and contributions from other organizations who participate in the support of the ABCD. There were no contributions made to ABCD during 2010, and 2009, respectively. Changes to the designated net assets consist of transfers and contributions, interest income, and litigation expenses, when incurred.

Investments - Investments in mutual funds are stated at fair value which represents publicly quoted market prices as of the last business day of the year. Certificates of deposit are reported at cost, which approximates fair value.

Furniture, Equipment, and Leasehold Improvements - Furniture, equipment, and leasehold improvements are stated at cost less accumulated depreciation and amortization. Major additions are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets are expensed currently. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or term of the leases, which range 3 - 10 years.

Revenue Recognition - Revenue from membership dues is recognized over the applicable membership period. Meeting registration fees, subscriptions, and other fees and services are recognized as revenue as services are provided.

Service fees are assessed to other actuarial organizations (American Society of Pension Professionals and Actuaries, Casualty Actuarial Society, Conference of Consulting Actuaries, and the Society of Actuaries) to provide partial financial support to the ASB and the ABCD. Fees are based on the percentage of members in each organization who are not members of the Academy.

Income Taxes - The Academy is generally exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code, as well as the D.C. franchise tax, except for taxes on net income from unrelated business activities. For 2010 and 2009, the Academy has provided information to its members on the portion of dues that is allocable to nondeductible lobbying expenditures, and the Academy is not subject to the proxy tax for lobbying and political expenditures.

Use of Estimates in the Preparation of Financial Statements - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Cash Equivalents - For purposes of the statement of cash flows, the Academy considers cash in checking, savings and money market mutual fund accounts to be cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent Events Review - Subsequent events have been evaluated through May 5, 2011, which is the date the financial statements were available to be issued. This review and evaluation revealed no new material event or transaction which would require an additional adjustment to or disclosure in the accompanying financial statements.

NOTE 3. INVESTMENTS

Long-term investments at December 31, 2010 and 2009 consisted of:

	2010		2009	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds:				
American Funds Group:				
EuroPacific Growth Fund	$ 211,241	$ 390,565	$ 205,934	$ 356,992
Fundamental Investors	603,542	624,978	593,937	547,982
Growth Fund of America	629,608	617,495	624,678	549,966
New Perspective Fund	602,184	733,486	594,826	650,489
Washington Mutual Investors Fund	144,450	137,758	141,112	121,541
Income Fund of America	592,605	487,218	571,230	435,134
Capital Income Builder Fund	586,751	471,634	568,245	434,043
Bond Fund of America	585,800	547,698	565,439	510,438
Eagle Funds:				
Small-Cap Growth Fund	567,984	645,853	567,984	478,077
Mid-Cap Stock Fund	546,386	557,993	546,386	463,476
	5,070,551	5,214,678	4,979,771	4,548,138
Certificates of deposit	593,955	593,955	172,080	172,080
	$ 5,664,506	$ 5,808,633	$ 5,151,851	$ 4,720,218

In addition, the Academy held as short-term investments certificates of deposits totaling $3,358,080 and $2,384,955 as of December 31, 2010 and 2009, respectively.

The Academy has adopted generally accepted accounting standards on *Fair Value Measurements.* For assets and liabilities measured at fair value on a recurring basis, this requires quantitative disclosures about fair value measurements separately for each major category of assets and liabilities. These standards clarify the definition of fair value for financial reporting, establish a hierarchal disclosure framework for measuring fair value, and require additional disclosures about the use of fair value measurements. The three levels of the fair value hierarchy and their applicability to the Academy's portfolio investments are described below:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Quoted prices for similar assets or liabilities, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to the security.

NOTE 3. INVESTMENTS (CONTINUED)

Level 3 – Pricing inputs are unobservable for the asset or liability, that is, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Level 3 includes private portfolio investments that are supported by little or no market activity.

The following are summaries of the inputs used at December 31, 2010 and 2009, respectively, in valuing investments carried at fair value:

	Fair Value	Quoted Price Markets for Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2010				
Certificates of deposit	$ 3,952,035	$ -	$ 3,952,035	$ -
Mutual funds				
Debt-focused	547,698	547,698	-	-
Equity-focused	4,666,980	4,666,980	-	-
	$ 9,166,713	$ 5,214,678	$ 3,952,035	$ -
December 31, 2009				
Certificates of deposit	$ 2,557,035	$ -	$ 2,557,035	$ -
Mutual funds				
Debt-focused	510,438	510,438	-	-
Equity-focused	4,037,700	4,037,700	-	-
	$ 7,105,173	$ 4,548,138	$ 2,557,035	$ -

NOTE 4. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

Furniture, equipment, and leasehold improvements at December 31, 2010 and 2009 consisted of the following:

	2010	2009
Furniture and equipment	$ 1,079,087	$1,058,906
Leasehold improvements	1,409,943	1,409,943
	2,489,030	2,468,849
Less: Accumulated depreciation and amortization	989,551	741,897
	$1,499,479	$1,726,952

NOTE 5. ENROLLED ACTUARIES MEETING - DISTRIBUTION OF NET REVENUE

The Academy and CCA share equally the net revenue from the annual Enrolled Actuaries Meeting. The Academy recognized $135,971 and $153,977 for its share of net revenue for the 2010 and 2009 meetings, respectively. In connection with this annual meeting, the Academy has advanced $15,000 to CCA for meeting expenses.

NOTE 6. CASUALTY LOSS RESERVE SEMINAR - DISTRIBUTION OF NET REVENUE

The Academy and CAS share equally the net revenue from the annual Casualty Loss Reserve Seminar. The Academy recognized $46,676 and $51,676 for its share of net revenue for the 2010 and 2009 meetings, respectively.

NOTE 7. PENSION PLANS

The Academy provides retirement benefits for substantially all of its employees meeting certain age and minimum service requirements through a defined contribution money purchase pension plan. Annual employer contributions under the plan are made based on a percentage of eligible employees' annual compensation. Total pension expense for the money purchase pension plan, including administration costs and net of forfeitures was $295,248 and $299,013 for 2010 and 2009, respectively.

Effective January 1, 2001, the Academy adopted a floor offset defined benefit pension plan to supplement the money purchase pension plan. The following table sets forth the plan's funded status and amounts recognized in the financial statements at December 31, 2010 and 2009. The fair values of all Plan assets are based on Level 1 inputs as described in Note 3.

	2010	2009
Actuarial present value of benefit obligations		
Accumulated benefit obligation, including vested benefits of $617,867 and $621,433	$(835,649)	$(675,898)
Projected benefit obligation for service rendered to date	$(878,669)	$(716,313)
Plan assets at fair value	647,181	493,350
Deficiency of plan assets over projected benefit obligation (liability for pension benefits at December 31, 2010 and 2009)	$(231,488)	$(222,963)

Net pension cost includes the following components for the years ended December 31, 2010 and 2009:

	2010	2009
Service cost-benefits earned during the period	$ 39,549	$ 41,283
Interest cost on projected benefit obligation	44,269	35,987
Expected return on plan assets	(33,027)	(21,683)
Prior service cost	6,232	6,232
Recognized actuarial loss	6,125	12,002
Net pension cost	$ 63,148	$ 73,821

Prior service costs represent the amortization of amounts previously recognized as changes in unrestricted net assets but not included in net periodic pension cost when they arose. The amount expected to be amortized into net periodic pension cost for 2011 is $6,183.

NOTE 7. PENSION PLANS (CONTINUED)

Total amounts recognized as changes in unrestricted net assets separate from expenses and reported in the statement of activities as pension-related changes other than net periodic pension cost for the years ended December 31, 2010 and 2009 are as follows:

	2010	2009
Net actuarial gain (loss)	$ (31,462)	$ 79,176
Amortization of prior service cost	6,232	6,232
	$ (25,230)	$ 85,408

Amounts that have not yet been recognized as components of net periodic pension cost as of December 31, 2010 and 2009 consist of the following:

	2010	2009
Net actuarial loss	$ 155,762	$ 124,300
Net prior service cost	79,819	86,051
	$ 235,581	$ 210,351

Assumptions used in the actuarial calculations above were as follows at December 31, 2010 and 2009:

	2010	2009
Discount rate	6.08%	5.50%
Rate of increase in compensation levels	4.00%	4.00%
Expected long-term rate of return on assets	6.75%	6.75%

Total pension expense for the defined benefit pension plan, including administration costs, was $78,306 and $87,650 for 2010 and 2009, respectively. Actual employer contributions were $80,000 in 2010 and $97,000 in 2009, and there were no benefit payments made in either year. Employer contributions for 2011 are expected to be between $80,000 and $100,000.

Total expected benefit payments for the next 10 fiscal years are as follows:

2011	$ 8,413
2012	12,004
2013	21,186
2014	26,161
2015	25,855
2016-2020	206,536

The expected long-term rate of return on plan assets for 2010 is based on a long-term inflation rate of 3.00% and an expected true rate of return of 3.75%. Approximately 36% of the plan's assets are invested in a bond index mutual fund, 63% in an equity index mutual fund, and 1% in cash and money market funds.

NOTE 7. PENSION PLANS (CONTINUED)

The Academy also has a 401(k) retirement plan for its employees. All employees meeting certain age and minimum service requirements are eligible to participate. Employee contributions are limited to a percentage of compensation as defined by the 401(k) plan with no employer matching contribution.

NOTE 8. FUNCTIONAL ALLOCATION OF EXPENSES

Expenses by functional reporting area are presented below. Certain amounts previously reported for 2009 have been reclassified to conform to the 2010 presentation.

	Year Ended December 31, 2010	Year Ended December 31, 2009
Programs:		
Actuarial Board for Counseling and Discipline	$ 402,986	$ 406,193
Actuarial Standards Board	392,596	457,007
Contingencies	845,188	1,004,089
Communications	516,632	465,893
Interorganizational liaison	778,024	727,128
Lobbying	155,181	204,373
Member communications	800,946	981,178
Organizational services	636,688	485,332
Public policy	2,462,328	2,694,959
Professionalism	254,519	311,620
Executive/administrative	2,106,468	2,179,662
Total expenses	$9,351,556	$9,917,434

NOTE 9. COMMITMENTS

The Academy's previous office lease agreement expired in May 2009. On September 30, 2008, the Academy entered into a lease for new office space. This lease is for a 10-year period commencing February 1, 2009 with annual rent increases of 2.5% concurrent with the commencement date. The lease calls for a security deposit of $73,100 for which the Academy has issued a letter of credit for $73,100 that is secured by a certificate of deposit in the same amount.

In addition, the Academy also has several non-cancelable operating leases for office equipment that expire over the next three years. Total future minimum lease payments are as follows:

Year Ending December 31,	2011	$ 959,112
	2012	981,474
	2013	966,379
	2014	990,505
	2015	1,015,268
	Thereafter	3,292,102
Total		$ 8,204,840

Rental expense for office space and equipment leases for 2010 and 2009 was $1,033,410 and $994,712, respectively.

NOTE 10. CONCENTRATIONS OF CREDIT RISK

The Academy possesses financial instruments that potentially subject the organization to concentrations of credit risk.

The Academy maintains cash in a number of deposit accounts at one financial institution. Total cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per bank. Noninterest-bearing deposit accounts are fully insured by the FDIC through 2012. At December 31, 2010, the Academy had cash deposited in non-interest bearing deposit accounts and is not exposed to any significant credit risk.

The Academy has approximately $3.23 million in a money market mutual fund as of December 31, 2010. The fund invests primarily in a portfolio of short-term U.S. Treasury securities which include repurchase agreements collateralized fully by U.S. Treasury securities. These funds are not insured by the FDIC. Because of the nature of U.S. Treasury securities, the Academy does not believe these funds are exposed to any significant credit risk.

The Academy maintains cash in several certificate of deposit (CD) accounts with different banks. Total CD balances are insured by the FDIC up to $250,000 per bank. As of December 31, 2010, all of the Academy's CD holdings were with different banks, and the total balance of CDs held at each individual bank did not exceed the balance insured by the FDIC and the CDs are therefore not exposed to any significant credit risk.

The Academy has total accounts receivable of approximately $385,000 as of December 31, 2010. Concentrations of credit risk with respect to accounts receivable are limited due to the large number of customers comprising the Academy's customer base and their dispersion across different industries and geographic areas.

NOTE 11. RENTAL INCOME

During 2009 the Academy entered into an agreement to sublease office space. Total rental income earned for the year ended December 31, 2010 was $109,383.

The following is a schedule by years of the future minimum rental receipts required under the lease:

Year Ending December 31, 2011	$ 110,154
2012	114,560
2013	119,142
2014	71,095
	$ 414,951

NOTE 12. INCOME TAXES

Although the Academy is exempt from income taxes under Section 501(c)(6) of the Internal Revenue Code, the organization receives unrelated business income from advertising revenue in its periodical, *Contingencies*. Total federal and state taxes on net unrelated business income for 2010 and 2009 were $53,604 and $102,187, respectively.

NOTE 12. INCOME TAXES (CONTINUED)

Effective January 1, 2009, the Academy adopted the authoritative guidance relating to accounting for uncertainty in income taxes included in ASC Topic *Income Taxes*. These provisions provide consistent guidance for the accounting for uncertainty in income taxes recognized in an entity's financial statements and prescribe a threshold of "more likely than not" for recognition and derecognition of tax positions taken or expected to be taken in a tax return. The Academy performed an evaluation of uncertain tax positions for the year ended December 31, 2010, and determined that there were no matters that would require recognition in the financial statements or that may have an effect on its tax-exempt status. As of December 31, 2010, the statute of limitations for tax years 2007 through 2009 remains open with the U.S. federal jurisdiction and the various states and local jurisdictions in which the Academy files returns. It is the Academy's policy to recognize interest and/or penalties related to uncertain tax positions, if any, in unrelated business income tax expense.