



**THE FOUNDATION CENTER**

Financial Statements

December 31, 2008 and 2007

(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, 2008 and 2007, 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, 2008 and 2007, 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.

As discussed in note 4 to the financial statements, the Center adopted the provisions of Financial Accounting Standards Board Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, at December 31, 2007.

**KPMG LLP**

April 24, 2009

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Balance Sheets

December 31, 2008 and 2007

<b>Assets</b>	<b>2008</b>	<b>2007</b>
Cash	\$ 151,735	239,924
Contributions and other receivables, net of allowance for doubtful accounts (note 2)	4,552,775	4,844,710
Publications inventory	132,636	178,290
Investments (note 3)	17,410,237	20,095,576
Furniture, equipment, and leasehold improvements, at cost, less accumulated depreciation and amortization of \$8,402,310 and \$7,791,791 in 2008 and 2007, respectively	2,691,589	2,929,314
Other assets	469,552	404,726
Total assets	\$ 25,408,524	28,692,540
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 863,631	991,134
Deferred revenue	4,489,781	4,099,092
Accumulated postretirement benefit obligation (note 4)	1,662,517	1,291,666
Total liabilities	7,015,929	6,381,892
Commitments (note 8)		
Net assets:		
Unrestricted:		
Undesignated	252,031	277,733
Board-designated for long-term investment (note 5)	8,002,954	8,647,954
Investment in furniture, equipment, and leasehold improvements	2,691,589	2,929,314
Total unrestricted	10,946,574	11,855,001
Temporarily restricted (note 6)	5,732,021	8,841,647
Permanently restricted (note 6):		
General purposes	1,000,000	1,000,000
Library acquisitions	250,000	150,000
Public education	464,000	464,000
Total permanently restricted	1,714,000	1,614,000
Total net assets	18,392,595	22,310,648
Total liabilities and net assets	\$ 25,408,524	28,692,540

See accompanying notes to financial statements.

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Statements of Changes in Unrestricted Net Assets

Years ended December 31, 2008 and 2007

	<u>Operating</u>	<u>Nonoperating</u>	<u>Long-term investment</u>	<u>Total</u>	
				<u>2008</u>	<u>2007</u>
Revenues and gains:					
Foundation and corporate contributions (note 5)	\$ 2,417,487	—	1,300,000	3,717,487	3,306,856
Publication revenues	11,227,639	—	—	11,227,639	10,298,732
Program service and other fees	2,351,680	—	—	2,351,680	2,144,167
Investment return (note 3)	545,099	(3,393,554)	—	(2,848,455)	1,370,992
Net assets released from restrictions (note 5)	5,254,295	58,022	1,580,000	6,892,317	4,463,199
Total revenues and gains	<u>21,796,200</u>	<u>(3,335,532)</u>	<u>2,880,000</u>	<u>21,340,668</u>	<u>21,583,946</u>
Expenses and losses:					
Program services:					
Data collection and publications	9,202,030	261,358	—	9,463,388	8,595,974
Library/learning centers and other public services	4,982,206	140,692	—	5,122,898	4,994,796
Research and other programs	1,760,136	43,995	—	1,804,131	1,537,990
Total program services	<u>15,944,372</u>	<u>446,045</u>	<u>—</u>	<u>16,390,417</u>	<u>15,128,760</u>
Supporting services:					
Management and general	4,690,991	137,064	—	4,828,055	4,696,199
Fund-raising	791,908	27,410	—	819,318	713,851
Total supporting services	<u>5,482,899</u>	<u>164,474</u>	<u>—</u>	<u>5,647,373</u>	<u>5,410,050</u>
Total expenses and losses	<u>21,427,271</u>	<u>610,519</u>	<u>—</u>	<u>22,037,790</u>	<u>20,538,810</u>
Acquisition of furniture, equipment, and leasehold improvements from operations	(314,771)	314,771	—	—	—
Reduction of board-designated amount for long-term investment (note 5)	—	3,525,000	(3,525,000)	—	—
Pension and postretirement changes other than net periodic benefit cost (note 4)	—	(211,305)	—	(211,305)	—
Increase (decrease) in unrestricted net assets before effect of adoption of SFAS No.158	54,158	(317,585)	(645,000)	(908,427)	1,045,136
Effect of adoption of SFAS No. 158 (note 4)	—	—	—	—	290,587
Increase (decrease) in unrestricted net assets	<u>\$ 54,158</u>	<u>(317,585)</u>	<u>(645,000)</u>	<u>(908,427)</u>	<u>1,335,723</u>

See accompanying notes to financial statements.

**THE FOUNDATION CENTER**  
 Statements of Changes in Net Assets  
 Years ended December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
(Decrease) increase in unrestricted net assets	\$ (908,427)	1,335,723
Changes in temporarily restricted net assets:		
Foundation and corporate contributions (note 9)	3,756,764	4,534,735
Investment return (note 3)	25,927	28,604
Net assets released from restrictions:		
For operating activities	(5,254,295)	(4,316,959)
For capital purposes	(58,022)	(146,240)
For long-term investment (note 5)	(1,580,000)	—
(Decrease) increase in temporarily restricted net assets	(3,109,626)	100,140
Changes in permanently restricted net assets:		
Foundation and corporate contributions (note 9)	100,000	—
Increase in permanently restricted net assets	100,000	—
(Decrease) increase in net assets	(3,918,053)	1,435,863
Net assets at beginning of year	22,310,648	20,874,785
Net assets at end of year	\$ 18,392,595	22,310,648

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended December 31, 2008 and 2007

	<b>2008</b>	<b>2007</b>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (3,918,053)	1,435,863
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	610,519	621,566
Decrease in allowance for doubtful accounts	—	(10,000)
Net depreciation (appreciation) in fair value of investments	3,367,451	(692,089)
Capital campaign contributions	(1,926,895)	(2,652,995)
Changes in operating assets and liabilities, net:		
Contributions and other receivables, less amounts classified as financing activities	(110,390)	32,170
Publications inventory	45,654	5,541
Other assets	(64,826)	(135,122)
Accounts payable and accrued expenses	(127,503)	(35,680)
Increase in deferred revenue	390,689	517,146
Accumulated postretirement benefit obligation	370,851	(136,608)
Net cash used in operating activities	(1,362,503)	(1,050,208)
Cash flows from investing activities:		
Purchase of investments	(2,745,710)	(1,889,127)
Proceeds from sale of investments	2,063,598	507,127
Acquisition of furniture, equipment, and leasehold improvements	(372,794)	(338,718)
Net cash used in investing activities	(1,054,906)	(1,720,718)
Cash flows from financing activities:		
Cash received from capital campaign	2,329,220	2,878,552
Net cash provided by financing activities	2,329,220	2,878,552
Net (decrease) increase in cash	(88,189)	107,626
Cash at beginning of year	239,924	132,298
Cash at end of year	\$ 151,735	239,924

See accompanying notes to financial statements.

## THE FOUNDATION CENTER

Notes to Financial Statements

December 31, 2008 and 2007

### (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) *Contributions*

Contributions, which include unconditional promises to give, are recognized as revenues in the period received. The Center received \$500,000 in conditional pledges for its capital campaign, which are not included in the accompanying financial statements.

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Notes to Financial Statements

December 31, 2008 and 2007

### (c) *New Accounting Pronouncements*

#### **Adoption of Statement of Financial Accounting Standards No. 157, *Fair Value Measurements***

Effective January 1, 2008, the Center adopted Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements* (SFAS 157). SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. This pronouncement does not require any new fair value measurements. In February 2008, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 157-2 (FAS 157-2), *Effective Date of FASB Statement No. 157*, which defers the effective date of SFAS 157 for one year for nonfinancial assets and nonfinancial liabilities that are not disclosed at fair value in the financial statements on a recurring basis. FAS 157-2 did not defer the recognition and disclosure requirements for financial or nonfinancial assets and liabilities that are measured at least annually. In February 2008, the Center adopted FAS 157-2. In October 2008, the FASB issued FSP No. FAS 157-3 (FAS 157-3), *Determining the Fair Value of a Financial Asset in a Market That Is Not Active*. FAS 157-3 was effective upon issuance, and applies to periods for which financial statements have not been issued. SFAS 157 guidance clarifies various application issues with respect to the objective of a fair value measurement, distressed transactions, relevance of observable data, and the use of management's assumptions. The effect of the adoption of SFAS 157, FAS 157-2 and FAS 157-3 did not have a material effect on the changes in net assets or financial position of the Center.

#### ***Fair Value Hierarchy***

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. SFAS 157 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities that are traded in an active exchange market, as well as U.S. Treasury securities.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quotes prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted market prices that are traded less frequently than exchange-traded instruments. This category generally includes certain U.S. Government and agency mortgage-backed debt securities, corporate-debt securities, and certain alternative investments.

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### Notes to Financial Statements

December 31, 2008 and 2007

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation. This category generally includes certain private debt and equity instruments and alternative investments.

Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial asset, including estimates of timing, amount of expected future cash flows, and the credit standing of the issuer. In some cases, the fair value estimates cannot be substantiated by comparison to independent markets. In addition, the disclosed fair value may not be realized in the immediate settlement of the financial asset. In addition, the disclosed fair values do not reflect any premium or discount that could result from offering for sale at one time an entire holding of a particular financial asset. Potential taxes and other expenses that would be incurred in an actual sale or settlement are not reflected in amounts disclosed.

#### **Adoption of FASB Staff Position No. FAS 117-1, *Endowments of Not-for-Profit Organizations***

In August 2008, FASB Staff Position No. FAS 117-1 (FAS 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) and Enhanced Disclosures for All Endowment Funds*, was issued, and its guidance is effective for fiscal years ending after December 15, 2008. A key component of FAS 117-1 is a requirement to classify the portion of a donor-restricted endowment fund that is not classified as permanently restricted net assets as temporarily restricted net assets until appropriated for expenditure. New York State has not yet adopted UPMIFA; however, for the year ended December 31, 2008, the Center has adopted the disclosure requirements of FAS 117-1.

#### **FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes***

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty Income Taxes – an interpretation of FASB Statement No. 109*, which addresses accounting for, and disclosure of, uncertain tax positions. FIN 48 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 FIN 48, 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. FIN 48 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 is currently evaluating the impact that FIN 48 will have on its financial statements upon adoption effective December 31, 2009.

#### **(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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### Notes to Financial Statements

December 31, 2008 and 2007

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.

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 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>2008</u>	<u>2007</u>
Contributions receivable, due to be collected as follows:		
Less than one year	\$ 2,513,924	2,734,293
One to five years	1,481,100	1,646,834
Other receivables	612,751	518,583
Allowance for doubtful accounts	(55,000)	(55,000)
	<u>\$ 4,552,775</u>	<u>4,844,710</u>

### (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. Investments at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Cash equivalents	\$ 9,125,952	10,650,017
Bonds and notes	2,918,672	2,742,254
Common and preferred stocks	5,365,613	6,703,305
	<u>\$ 17,410,237</u>	<u>20,095,576</u>

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Notes to Financial Statements

December 31, 2008 and 2007

The following table presents the Center's fair value hierarchy for those assets and liabilities measured at fair value as of December 31, 2008. At December 31, 2008, Level 3 assets comprised approximately 47.6% of the Center's total investment portfolio fair value.

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
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>—</u>	<u>8,284,285</u>

The following table presents a reconciliation for all Level 3 assets measured at fair value for the period January 1, 2008 to December 31, 2008.

	<u>Assets Level 3</u>
Financial assets:	
Beginning balance, January 1, 2008	\$ 9,445,559
Net unrealized losses	(3,390,984)
Net realized gains	56,176
Interest and dividends	177,504
Purchases	2,365,000
Sales	(368,970)
Ending balance, December 31, 2008	<u>\$ 8,284,285</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, 2008 and 2007 are as follows:

	<u>2008</u>	<u>2007</u>
Interest and dividends	\$ 544,924	707,507
Net (depreciation) appreciation in fair value of investments	(3,367,451)	692,089
Total investment return	(2,822,527)	1,399,596
Less investment return appropriated under spending policy, including temporarily restricted amount of \$25,927 and \$28,604 in 2008 and 2007, respectively	571,027	775,906
Investment return reported as nonoperating	<u>\$ (3,393,554)</u>	<u>623,690</u>

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Notes to Financial Statements

December 31, 2008 and 2007

**(4) Postretirement Healthcare Benefits**

The Center sponsors an unfunded postretirement healthcare plan that covers all employees who meet certain eligibility requirements. Additionally, the Center chose to enroll eligible retirees into a Medicare Advantage Plan effective January 1, 2006.

Effective December 31, 2007, the Center adopted SFAS 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 requires an employer to recognize the funded status of benefit plans, measured as the difference between plan assets at fair value and the projected benefit obligation, in the balance sheet. As a result of the adoption, the Company recognized an actuarial loss of \$290,587 in fiscal year 2007. The following table provides information with respect to the plan as of and for the years ended December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Change in benefit obligation:		
Benefit obligation at January 1	\$ 1,291,666	1,428,274
Net periodic benefit cost	178,761	170,278
Benefits paid	<u>(19,215)</u>	<u>(16,299)</u>
	1,451,212	1,582,253
Pension and postretirement changes other than net periodic benefit cost	211,305	—
Effect of adoption of SFAS No. 158	<u>—</u>	<u>(290,587)</u>
Benefit obligation at December 31	<u>\$ 1,662,517</u>	<u>1,291,666</u>
Net periodic benefit cost	\$ 178,761	170,278
Employer contributions	19,215	16,299
Benefits paid	19,215	16,299

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

	<u>2008</u>	<u>2007</u>
Weighted average discount rate as of December 31	5.88%	6.55%
Medical trend rates (applied to net incurred claims)	10.00% during 2008 and 9.00% in 2009 grading to 5.00% by 2013	10.00% during 2007 and 2008 (and 10.00% in 2006) grading to 5.00% by 2013

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December 31, 2008 and 2007

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

	<b>2008</b>	<b>2007</b>
Weighted average discount rate as of December 31	6.55%	5.95%

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>2008</b>		<b>2007</b>	
	<b>1% increase</b>	<b>1% decrease</b>	<b>1% increase</b>	<b>1% decrease</b>
Effect on total service and interest cost	\$ 43,635	(34,129)	43,044	(33,341)
Effect on postretirement benefit obligation	363,714	(286,196)	276,307	(218,183)

It is estimated that \$31,738 of the actuarial gain will be included as a component of net periodic benefit cost in fiscal year 2009.

Projected premium payments for each of the next five years and thereafter through 2018 are as follows:

	<b>Amount</b>
2009	\$ 21,762
2010	26,951
2011	33,965
2012	36,650
2013	42,042
Thereafter through 2018	325,100
	\$ 486,470

As of December 31, 2008, a net actuarial loss of \$211,305 was not yet recognized as a component of net periodic postretirement benefit cost. The \$211,305 is recorded on the December 31, 2008 statement of changes in unrestricted net assets, decreasing unrestricted net assets.

**(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 \$8,002,954 and \$8,647,954 at December 31, 2008 and 2007, respectively. 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. In 2007, an additional amount of \$1,645,000 was designated.

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Notes to Financial Statements

December 31, 2008 and 2007

**(6) Net Assets**

Temporarily restricted net assets were available for the following purposes or for future periods at December 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Data collection and publications	\$ 192,667	346,667
Library/learning centers and other public services	1,187,636	563,519
Other programs	244,949	285,382
Capital campaign initiatives	2,632,236	5,982,413
Future periods	<u>1,474,533</u>	<u>1,663,666</u>
Total	\$ <u>5,732,021</u>	<u>8,841,647</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 net assets totaled \$1,000,000 at December 31, 2008 and 2007, respectively.

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 net assets totaled \$250,000 and \$150,000 at December 31, 2008 and 2007, respectively.

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 net assets totaled \$464,000 at December 31, 2008 and 2007.

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

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Balance at January 1, 2008	\$ —	—	1,614,000	1,614,000
Investment return	27,558	25,928	—	53,486
Contribution	—	—	100,000	100,000
Distributions	25,928	(25,928)	—	—
Net depreciation of investments	<u>(776,892)</u>	<u>—</u>	<u>—</u>	<u>(776,892)</u>
Balance at December 31, 2008	\$ <u>(723,406)</u>	<u>—</u>	<u>1,714,000</u>	<u>990,594</u>

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Notes to Financial Statements

December 31, 2008 and 2007

### (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, 2008 and 2007 amounted to approximately \$923,000 and \$844,000, 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. 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:	
2009	\$ 1,734,372
2010	1,806,231
2011	1,674,103
2012	1,943,993
2013	2,020,143
Thereafter	<u>3,307,210</u>
	<u>\$ 12,486,052</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, 2008 and 2007, respectively. Rent expense was approximately \$1,943,000 and \$2,025,000 in 2008 and 2007, respectively.

### (9) Concentration

Members of the board are affiliated with organizations that contributed \$101,250 and \$1,500,000 to the Center's capital campaign in 2008 and 2007, respectively.