EISNERAMPER
ACCOUNTANTS & ADVISORS

SECURITY COUNCIL REPORT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2010 and 2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Security Council Report, Inc.
New York, New York

We have audited the accompanying statements of financial position of Security Council Report, Inc. (the "Organization") as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization'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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements enumerated above present fairly, in all material respects, the financial position of Security Council Report, Inc. as of December 31, 2010 and 2009, and the results of its activities and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

New York, New York
December 8, 2011

SECURITY COUNCIL REPORT, INC.

Statements of Financial Position

	December 31, 2010	December 31, 2009
ASSETS		
Cash and cash equivalents	**$ 624,143**	$ 1,333,918
Grants receivable	**699,007**	833,333
Security deposits	**156,894**	
Due from Columbia University		2,887
	$ 1,480,044	$ 2,170,138
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	**$ 65,341**	$ 17,338
Deferred rent	**10,627**	
Total liabilities	**75,968**	17,338
Commitments (Note F)		
Net assets:		
Unrestricted	**786,631**	1,357,276
Temporarily restricted	**617,445**	795,524
Total net assets	**1,404,076**	2,152,800
	$ 1,480,044	$ 2,170,138

Statements of Activities

	Year Ended December 31,					
	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Grants	**$ 1,060,767**	**$ 854,229**	**$ 1,914,996**	$ 848,670	$ 100,000	$ 948,670
Contributions	**35,000**		**35,000**	17,042		17,042
Interest income	**1,044**		**1,044**	5,092		5,092
Net assets released from restrictions	**1,032,308**	**(1,032,308)**	**0**	1,922,548	(1,922,548)	0
Total support and revenue after net assets released from restrictions	**2,129,119**	**(178,079)**	**1,951,040**	2,793,352	(1,822,548)	970,804
Expenses:						
Program services	**2,131,734**		**2,131,734**	1,943,823		1,943,823
Management and general	**456,274**		**456,274**	218,328		218,328
Fund-raising	**111,756**		**111,756**	63,560		63,560
Total expenses	**2,699,764**		**2,699,764**	2,225,711		2,225,711
Change in net assets	**(570,645)**	**(178,079)**	**(748,724)**	567,641	(1,822,548)	(1,254,907)
Net assets - beginning of year	**1,357,276**	**795,524**	**2,152,800**	789,635	2,618,072	3,407,707
Net assets - end of year	**$ 786,631**	**$ 617,445**	**$ 1,404,076**	$ 1,357,276	$ 795,524	$ 2,152,800

SECURITY COUNCIL REPORT, INC.

Statements of Functional Expenses

	Year Ended December 31,							
	2010				2009			
	Program Services	Management and General	Fund-raising	Total	Program Services	Management and General	Fund-raising	Total
Salaries and benefits	**$ 1,177,929**	**$ 149,384**	**$ 47,315**	**$ 1,374,628**	$ 1,077,299	$ 140,152	$ 42,327	$ 1,259,778
Occupancy	**153,325**	**18,038**	**9,019**	**180,382**	193,610	22,778	11,389	227,777
Publication design	**309,437**			**309,437**	294,516			294,516
General services	**65,436**	**7,698**	**3,849**	**76,983**	78,193	9,199	4,600	91,992
Moving costs		**205,241**		**205,241**				
Research consultants	**79,100**			**79,100**	76,238			76,238
Telephone	**31,912**	**3,754**	**1,877**	**37,543**	16,601	1,953	977	19,531
Professional fees		**52,767**	**40,000**	**92,767**		35,709		35,709
Office expenses	**24,444**	**2,876**	**1,438**	**28,758**	26,016	3,061	1,530	30,607
Information technology	**133,361**	**15,690**	**7,845**	**156,896**	41,569	4,891	2,445	48,905
International advisory group	**43,811**			**43,811**				
Travel	**155**			**155**	4,545			4,545
Outreach	**105,803**			**105,803**	130,267			130,267
Postage	**2,105**	**248**	**124**	**2,477**	1,824	215	107	2,146
Other	**4,916**	**578**	**289**	**5,783**	3,145	370	185	3,700
	$ 2,131,734	**$ 456,274**	**$ 111,756**	**$ 2,699,764**	$ 1,943,823	$ 218,328	$ 63,560	$ 2,225,711

SECURITY COUNCIL REPORT, INC.

Statements of Cash Flows

	Year Ended December 31, 2010	Year Ended December 31, 2009
Cash flows from operating activities:		
Change in net assets	**$ (748,724)**	$ (1,254,907)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Changes in:		
Grants receivable	**134,326**	1,632,865
Security deposits	**(156,894)**	
Due from Columbia University	**2,887**	6,639
Accounts payable	**48,003**	(13,396)
Deferred rent	**10,627**	
Net change in cash and cash equivalents	**(709,775)**	371,201
Cash and cash equivalents - beginning of year	**1,333,918**	962,717
Cash and cash equivalents - end of year	**$ 624,143**	$ 1,333,918

See notes to financial statements

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Security Council Report, Inc. (the "Organization"), a not-for-profit organization incorporated in New York, was established in 2004 to provide timely, accurate and objective information and analysis on the activities of the United Nations Security Council (the "Security Council"). This information and analysis is provided for the benefit of member states of the United Nations, particularly the ten elected members of the Security Council, but also the wider United Nations membership, the United Nations Secretariat, and the public.

The Organization 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.

[2] Financial reporting:

(a) Basis of accounting:

The accompanying financial statements 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 organizations.

(b) Functional allocation of expenses:

The costs of providing the various programs and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services using reasonable ratios determined by management.

(c) 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 amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

(d) Cash and cash equivalents:

For financial reporting purposes, the Organization considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

(e) Fair-value measurement:

The Organization reports a fair-value measurement of all applicable financial assets and liabilities, including grants receivable and short-term payables.

(f) Net assets:

The Organization's net assets, as well as its revenues, expenses, gains and losses, are classified in the financial statements based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets and changes therein are classified and reported as follows:

(i) Unrestricted:

Unrestricted net assets represent resources that are not subject to donor-imposed restrictions. The Organization's operating fund and its board-designated fund are presented as unrestricted because there are no donor restrictions on the use of these resources.

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[2] Financial reporting: (continued)

(f) Net assets: (continued)

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that have been restricted by donors for specific purposes. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

[3] Grants:

Grants are recorded as revenue upon the receipt of cash or unconditional grant agreements, and are considered available for unrestricted use unless specifically restricted by the grantor.

The Organization reports grants as temporarily restricted if they are received with grantor stipulations or time considerations as to their use. When a grantor's restriction is met (i.e., when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions.

[4] Income taxes:

The Organization follows the provisions of the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Organization's general tax-exempt status, the adoption of ASC 740-10-05 has not had, and is not expected to have, a material impact on the Organization's financial statements.

[5] Deferred rent:

The difference between rent expense incurred by the Organization on an accrual basis and the rent amounts paid in cash, as well as the unamortized portion of rent concessions and landlord contributions to leasehold improvement projects, is reported as deferred rent payable in the accompanying statements of financial position.

[6] Subsequent events:

The Organization 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.

NOTE B - GRANTS RECEIVABLE

At each year-end, grants receivable were due to be collected as follows:

	December 31, 2010	December 31, 2009
Less than one year	**$ 605,525**	$ 833,333
One to three years	**98,156**	
Total grants receivable	**703,681**	833,333
Reduction of grants due in excess of one year to present value, at a discount rate of 5%	**(4,674)**	
	$ 699,007	$ 833,333

The Organization's grants receivable consisted of grants the amounts of which had not been fully collected as of year-end. Amounts not due within one year have been discounted to present value. Grants receivable are from major institutional grantors, and management expects the grants receivable to be fully collected. Accordingly, no allowance for doubtful amounts has been established.

NOTE C - PROPERTY AND EQUIPMENT

Under the original terms of an agreement with Columbia University ("Columbia") (see Note D), Columbia arranged for office furniture and equipment for use by the Organization. As this office furniture and equipment was owned by Columbia, it had not been included as assets in the accompanying financial statements.

At December 31, 2009, property and equipment owned by Columbia and used by the Organization consisted of the following:

Furniture	$ 103,315
Equipment	86,447
Leasehold improvements	125,814
	$ 315,576

Effective September 1, 2010, Columbia transferred ownership of the furniture and equipment to the Organization. As the furniture and equipment has been fully depreciated, no in-kind donation has been recorded.

NOTE D - DUE TO/FROM COLUMBIA UNIVERSITY

Pursuant to the original agreement between the Organization and Columbia, Columbia provided office space, personnel and supplies, in return for which the Organization reimbursed Columbia and paid a general and administrative fee not to exceed 7% of the overall budget. The general and administrative fee for the years ended December 31, 2010 and 2009 was $76,983 and $91,992, respectively. The Organization's prospective charges were estimated and advanced to Columbia quarterly. These funds were maintained by Columbia and disbursed to the Organization as needed. At December 31, 2010 and 2009, the net balance due from and (due to) Columbia was $(473) and $2,887, respectively.

Effective September 1, 2010, Columbia University amended its agreement with the Organization, effectively eliminating the provision of facilities.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At each fiscal year-end, net assets of $617,445 and $795,524, respectively, were temporarily restricted due to the timing of the grants received. During 2010 and 2009, time and program-restricted net assets amounting to $1,032,308 and $1,922,548, respectively, were released from restrictions.

NOTE F - LEASE COMMITMENT

The Organization leases office space through December 2018. Future minimum non-cancelable annual lease payments for this space, excluding escalations for operating expense and real estate tax increases, are as follows:

Year Ending December 31,	Amount
2011	$ 185,221
2012	261,488
2013	261,488
2014	262,234
2015	270,440
Thereafter	799,679
Total	$ 2,040,550

Rent expense for 2010 and 2009 was $238,282 and $221,910, respectively.

NOTE G - CONCENTRATION OF CREDIT RISK

The Organization deposits its cash in one financial institution in amounts which, at times, may exceed federally insured limits. Management believes the Organization is not exposed to any significant risk of loss due to the failure of the financial institution.

During 2010 and 2009, respectively, the Organization received 75% and 80% of its support and revenue from two grantors.