



Eisner LLP
Accountants and Advisors

SECURITY COUNCIL REPORT, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

SECURITY COUNCIL REPORT, INC.

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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, 2009 and 2008, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our 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, 2009 and 2008, 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.



New York, New York
June 9, 2010

SECURITY COUNCIL REPORT, INC.

Statements of Financial Position

	December 31,	
	2009	2008
ASSETS		
Cash and cash equivalents	\$ 1,333,918	\$ 962,717
Grants receivable	833,333	2,466,198
Due from Columbia University	<u>2,887</u>	<u>9,526</u>
	<u>\$ 2,170,138</u>	<u>\$ 3,438,441</u>
LIABILITIES AND NET ASSETS		
Accounts payable	<u>\$ 17,338</u>	<u>\$ 30,734</u>
Commitment (Note F)		
Net assets:		
Unrestricted	1,357,276	789,635
Temporarily restricted	<u>795,524</u>	<u>2,618,072</u>
Total net assets	<u>2,152,800</u>	<u>3,407,707</u>
	<u>\$ 2,170,138</u>	<u>\$ 3,438,441</u>

SECURITY COUNCIL REPORT, INC.

Statements of Activities

	Year Ended December 31,					
	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Grants	\$ 848,670	\$ 100,000	\$ 948,670	\$ 1,282,936	\$ 1,255,881	\$ 2,538,817
Contributions	17,042		17,042	49,156		49,156
Interest income	5,092		5,092	13,629		13,629
Net assets released from restrictions	<u>1,922,548</u>	<u>(1,922,548)</u>	<u>0</u>	<u>1,000,000</u>	<u>(1,000,000)</u>	<u>0</u>
Total support and revenue after release of restrictions	<u>2,793,352</u>	<u>(1,822,548)</u>	<u>970,804</u>	<u>2,345,721</u>	<u>255,881</u>	<u>2,601,602</u>
Expenses:						
Program services	1,712,703		1,712,703	1,699,805		1,699,805
Management and general	493,008		493,008	493,459		493,459
Fund-raising	<u>20,000</u>		<u>20,000</u>	<u>20,000</u>		<u>20,000</u>
Total expenses	<u>2,225,711</u>		<u>2,225,711</u>	<u>2,213,264</u>		<u>2,213,264</u>
Change in net assets	567,641	(1,822,548)	(1,254,907)	132,457	255,881	388,338
Net assets - beginning of year	<u>789,635</u>	<u>2,618,072</u>	<u>3,407,707</u>	<u>657,178</u>	<u>2,362,191</u>	<u>3,019,369</u>
Net assets - end of year	<u>\$ 1,357,276</u>	<u>\$ 795,524</u>	<u>\$ 2,152,800</u>	<u>\$ 789,635</u>	<u>\$ 2,618,072</u>	<u>\$ 3,407,707</u>

SECURITY COUNCIL REPORT, INC.

Statements of Functional Expenses

	Year Ended December 31,							
	2009				2008			
	Program Services	Management and General	Fund- raising	Total	Program Services	Management and General	Fund- raising	Total
Salaries and benefits	\$ 978,157	\$ 245,699	\$ 20,000	\$ 1,243,856	\$ 821,387	\$ 250,000	\$ 20,000	\$ 1,091,387
Professional fees		35,709		35,709		40,764		40,764
Independent contractors	76,238			76,238	147,678			147,678
Website maintenance	20,303			20,303	24,598			24,598
Rent and utilities	205,000	22,777		227,777	199,010	22,113		221,123
Meetings and travel	134,812			134,812	153,527	7,000		160,527
International Advisory Group					48,973			48,973
Printing and communications	244,516	2,042		246,558	264,956	2,099		267,055
Shipping and postage	50,000	2,146		52,146	36,000	1,554		37,554
Office supplies		8,016		8,016		7,696		7,696
Office maintenance		17,447		17,447		9,643		9,643
Dues and subscriptions	3,677			3,677	3,676			3,676
Telephone		19,531		19,531		18,207		18,207
Temporary help		15,922		15,922		1,664		1,664
Other		3,125		3,125		5,215		5,215
Information technology		28,602		28,602		30,918		30,918
General services		91,992		91,992		96,586		96,586
Total expenses	<u>\$1,712,703</u>	<u>\$ 493,008</u>	<u>\$ 20,000</u>	<u>\$ 2,225,711</u>	<u>\$ 1,699,805</u>	<u>\$ 493,459</u>	<u>\$ 20,000</u>	<u>\$ 2,213,264</u>

See notes to financial statements

SECURITY COUNCIL REPORT, INC.

Statements of Cash Flows

	Year Ended December 31,	
	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ (1,254,907)	\$ 388,338
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in:		
Due from/to Columbia University	6,639	(88,985)
Grants receivable	1,632,865	(405,295)
Prepaid rent		17,555
Accounts payable	(13,396)	(6,229)
Net change in cash and cash equivalents	371,201	(94,616)
Cash and cash equivalents - beginning of year	<u>962,717</u>	<u>1,057,333</u>
Cash and cash equivalents - end of year	<u>\$ 1,333,918</u>	<u>\$ 962,717</u>

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2009 and 2008

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. The Organization performs minimal fund-raising activities.

(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) 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.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2009 and 2008

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

[2] Financial reporting: (continued)

(e) 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] Property and equipment:

Under the 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 is owned by Columbia, it is not included as assets in the accompanying financial statements.

[4] 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.

[5] Income taxes:

In 2009, the Organization adopted the provisions of 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, ASC 740-10-05 has not had, and is not expected to have, a material impact on the Organization's financial statements.

[6] Fair-value measurements:

In 2008, the Organization adopted ASC 820-10-05 relating to fair-value measurement. Accordingly, the Organization reports a fair-value measurement of all applicable financial assets and liabilities, including grants receivable and short-term payables.

[7] 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.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE B - GRANTS RECEIVABLE

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

	December 31,	
	2009	2008
Less than one year	\$ 833,333	\$ 1,672,548
One to three years		833,333
Total grants receivable	833,333	2,505,881
Reduction of grants due in excess of one year to present value, at a discount rate of 5%		(39,683)
	<u>\$ 833,333</u>	<u>\$ 2,466,198</u>

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

At each year-end, property and equipment owned by Columbia and used by the Organization consisted of the following:

	December 31,	
	2009	2008
Furniture	\$ 103,315	\$ 103,315
Equipment	86,447	86,447
Leasehold improvements	<u>125,814</u>	<u>125,814</u>
	<u>\$ 315,576</u>	<u>\$ 315,576</u>

NOTE D - DUE TO/FROM COLUMBIA UNIVERSITY

Pursuant to an agreement between the Organization and Columbia, Columbia provides office space, personnel, and supplies, in return for which the Organization reimburses Columbia and pays a general and administrative fee, not to exceed 7% of the overall budget. The general and administrative fee for the years ended December 31, 2009 and 2008 was \$91,992 and \$96,586, respectively. The Organization's prospective charges are estimated and advanced to Columbia quarterly. These funds are maintained by Columbia and disbursed to the Organization as needed. At December 31, 2009 and 2008, the net balance due from Columbia was \$2,887 and \$9,526, respectively.

NOTE E - TEMPORARILY RESTRICTED NET ASSETS

At December 31, 2009 and 2008, net assets of \$795,524 and \$2,618,072, respectively, were temporarily restricted due to the timing of the grants received. During 2009 and 2008, time and program-restricted net assets amounting to \$1,922,548 and \$1,000,000, respectively, were released from restrictions.

SECURITY COUNCIL REPORT, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE F - LEASE COMMITMENT

For its office space, the Organization has a lease with Columbia that commenced on August 1, 2005, and expires on August 31, 2010. Future minimum rent payments for fiscal-year 2010 are \$93,458, exclusive of escalation charges, real estate taxes, and utilities. Rent expense for 2009 and 2008 was \$221,910 and \$214,717, 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 2009, the Organization received 80% of its support and revenue from two grantors. In 2008, 81% of the Organization's support and revenue was received from three grantors.