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Eisner LLP
Accountants and Advisors

GUTTMACHER INSTITUTE, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2009 and 2008

Eisner

Eisner LLP
Accountants and Advisors

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Guttmacher Institute, Inc.
New York, New York

We have audited the accompanying statements of financial position of Guttmacher Institute, Inc. (the "Institute") 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 Institute'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 Guttmacher Institute, Inc. 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 accounting principles generally accepted in the United States of America.



New York, New York
May 18, 2010

GUTTMACHER INSTITUTE, INC.

Statements of Financial Position

	December 31,	
	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and cash equivalents	\$ 518,684	\$ 162,912
Investments	19,743,015	15,625,595
Contributions and grants receivable	7,363,973	8,412,328
Other receivables	105,750	103,946
Prepaid expenses and other assets	140,449	127,629
Security deposits	19,294	19,294
Deferred debt issuance costs, net	448,647	464,961
Property and equipment, net	<u>11,959,504</u>	<u>12,225,767</u>
	<u>\$ 40,299,316</u>	<u>\$ 37,142,432</u>
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 644,128	\$ 751,400
Deferred subscription revenue	8,050	6,812
Note payable	833,335	900,001
New York City Industrial Development Agency bonds	<u>10,580,000</u>	<u>10,750,000</u>
	12,065,513	12,408,213
Commitment and contingency (Note I)		
Net assets:		
Unrestricted:		
Undesignated, available for general activities	2,552,886	2,412,805
Designated as endowment by the Board of Directors	3,481,339	2,743,898
Net investment in property and equipment	<u>994,816</u>	<u>1,040,727</u>
	7,029,041	6,197,430
Temporarily restricted	16,349,524	13,681,551
Permanently restricted	<u>4,855,238</u>	<u>4,855,238</u>
	<u>28,233,803</u>	<u>24,734,219</u>
Total net assets	<u>\$ 40,299,316</u>	<u>\$ 37,142,432</u>

GUTTMACHER INSTITUTE, INC.

Statements of Activities

	Year Ended December 31, 2009				Year Ended December 31, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue and support:								
Contributions	\$ 374,960			\$ 374,960	\$ 396,016			\$ 396,016
Grants and contracts from government agencies	1,026,676			1,026,676	1,195,894			1,195,894
Grants from private organizations	3,593,228	\$ 11,030,572		14,623,800	5,004,807	\$ 9,052,371		14,057,178
Investment income	182,234			182,234	480,117			480,117
Net realized and unrealized gains (losses) on investments	669,409			669,409	(1,491,000)			(1,491,000)
Publication income and other revenue	146,712			146,712	141,741			141,741
Total	5,993,219	11,030,572		17,023,791	5,727,575	9,052,371		14,779,946
Net assets released from restrictions	8,362,599	(8,362,599)		0	5,769,434	(5,769,434)		0
Total revenue and support	14,355,818	2,667,973		17,023,791	11,497,009	3,282,937		14,779,946
Expenses:								
Program services:								
Research	5,475,441			5,475,441	4,812,766			4,812,766
Public education	3,742,838			3,742,838	3,236,545			3,236,545
Public policy	1,633,351			1,633,351	1,537,517			1,537,517
Total program services	10,851,630			10,851,630	9,586,828			9,586,828
Supporting services:								
Management and general	2,244,858			2,244,858	2,384,456			2,384,456
Fund-raising	427,719			427,719	520,239			520,239
Total supporting services	2,672,577			2,672,577	2,904,695			2,904,695
Total expenses	13,524,207			13,524,207	12,491,523			12,491,523
Change in net assets	831,611	2,667,973		3,499,584	(994,514)	3,282,937		2,288,423
Net assets at beginning of year	6,197,430	13,681,551	\$ 4,855,238	24,734,219	7,191,944	10,398,614	\$ 4,855,238	22,445,796
Net assets at end of year	\$ 7,029,041	\$ 16,349,524	\$ 4,855,238	\$ 28,233,803	\$ 6,197,430	\$ 13,681,551	\$ 4,855,238	\$ 24,734,219

See notes to financial statements

GUTTMACHER INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended December 31, 2009**

(with summarized financial information for December 31, 2008)

	Program Services			Supporting Services			Totals		
	Research	Public Education	Public Policy	Total Program Expenses	Management and General	Fund-raising	Total Supporting Services	2009	2008
Salaries	\$ 2,414,220	\$ 1,824,893	\$ 971,695	\$ 5,210,808	\$ 1,068,639	\$ 198,308	\$ 1,266,947	\$ 6,477,755	\$ 5,687,454
Employee fringe benefits	639,677	483,356	257,172	1,380,205	282,930	52,131	335,061	1,715,266	1,464,161
Total salaries and fringe benefits	3,053,897	2,308,249	1,228,867	6,591,013	1,351,569	250,439	1,602,008	8,193,021	7,151,615
Printing and artwork	6,433	186,472		192,905	168	853	1,021	193,926	121,288
Data-processing	12,194	5,922	11,114	29,230	22,153	659	22,812	52,042	54,047
Professional fees	1,197,410	352,442	80	1,549,932	123,341	44,714	168,055	1,717,987	1,466,445
Occupancy and office costs	548,183	440,047	219,982	1,208,212	242,709	44,340	287,049	1,495,261	1,677,657
Information technology	143,442	97,779	51,107	292,328	60,094	13,363	73,457	365,785	420,150
Postage and shipping	42,139	94,606	43	136,788	4,983	8,871	13,854	150,642	162,599
Conferences, meetings and travel	268,817	82,244	34,873	385,934	203,555	44,706	248,261	634,195	740,507
Dues, subscriptions and publications	8,993	30,444	10,159	49,596	8,477	440	8,917	58,513	55,484
Miscellaneous	2,837	236	299	3,372	143,377	3,760	147,137	150,509	146,616
Total expenses before depreciation and amortization	5,284,345	3,598,441	1,556,524	10,439,310	2,160,426	412,145	2,572,571	13,011,881	11,996,408
Depreciation and amortization	191,096	144,397	76,827	412,320	68,118	15,574	83,692	496,012	478,801
Amortization of deferred debt issuance costs					16,314		16,314	16,314	16,314
Total depreciation and amortization	191,096	144,397	76,827	412,320	84,432	15,574	100,006	512,326	495,115
Total expenses	\$ 5,475,441	\$ 3,742,838	\$ 1,633,351	\$ 10,851,630	\$ 2,244,858	\$ 427,719	\$ 2,672,577	\$ 13,524,207	\$ 12,491,523

See notes to financial statements

GUTTMACHER INSTITUTE, INC.

**Statement of Functional Expenses
Year Ended December 31, 2008**

	Program Services			Supporting Services			2008	
	Research	Public Education	Public Policy	Total Program Expenses	Management and General	Fund-Raising		Total Supporting Services
Salaries	\$ 2,130,202	\$ 1,504,907	\$ 871,468	\$ 4,506,577	\$ 927,924	\$ 252,953	\$ 1,180,877	\$ 5,687,454
Employee fringe benefits	548,392	387,419	224,348	1,160,159	238,882	65,120	304,002	1,464,161
Total salaries and fringe benefits	2,678,594	1,892,326	1,095,816	5,666,736	1,166,806	318,073	1,484,879	7,151,615
Printing and artwork	388	110,516		110,904	6,796	3,588	10,384	121,288
Data-processing	16,568	11,532	10,579	38,679	14,909	459	15,368	54,047
Professional fees	847,724	249,482	250	1,097,456	324,298	44,691	368,989	1,466,445
Occupancy and office costs	622,333	455,241	252,795	1,330,369	273,908	73,380	347,288	1,677,657
Information technology	164,682	106,662	59,966	331,310	67,016	21,824	88,840	420,150
Postage and shipping	26,867	114,088	310	141,265	10,313	11,021	21,334	162,599
Conferences, meetings and travel	250,691	138,083	30,964	419,738	299,704	21,065	320,769	740,507
Dues, subscriptions and publications	10,164	24,518	10,363	45,045	9,965	474	10,439	55,484
Miscellaneous	9,314	3,089	609	13,012	129,961	3,643	133,604	146,616
Total expenses before depreciation and amortization	4,627,325	3,105,537	1,461,652	9,194,514	2,303,676	498,218	2,801,894	11,996,408
Depreciation and amortization	185,441	131,008	75,865	392,314	64,466	22,021	86,487	478,801
Amortization of deferred debt issuance costs					16,314		16,314	16,314
Total depreciation and amortization	185,441	131,008	75,865	392,314	80,780	22,021	102,801	495,115
Total expenses	\$ 4,812,766	\$ 3,236,545	\$ 1,537,517	\$ 9,586,828	\$ 2,384,456	\$ 520,239	\$ 2,904,695	\$ 12,491,523

See notes to financial statements

GUTTMACHER INSTITUTE, INC.

Statements of Cash Flows

	<u>Year Ended December 31,</u>	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in net assets	\$ 3,499,584	\$ 2,288,423
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	512,326	495,115
Net realized and unrealized (gains) losses on investments	(669,409)	1,491,000
Donated securities	(6,482,058)	(4,813,014)
Changes in:		
Contributions and grants receivable	1,048,355	(5,268,045)
Other receivables	(1,804)	639,457
Prepaid expenses and other assets	(12,820)	(34,846)
Security deposits		66,545
Accounts payable and accrued expenses	(107,272)	302,528
Deferred lease incentives		(22,894)
Deferred subscription revenue	1,238	(626)
Net cash used in operating activities	<u>(2,211,860)</u>	<u>(4,856,357)</u>
Cash flows from investing activities:		
Proceeds from sales of investments	10,356,046	11,792,139
Purchases of investments	(7,321,999)	(6,978,987)
Purchases of property and equipment	(229,749)	(380,443)
Net cash provided by investing activities	<u>2,804,298</u>	<u>4,432,709</u>
Cash flows from financing activities:		
Note principal repayments	(66,666)	(66,666)
Bond principal repayments	(170,000)	(160,000)
Net cash used in financing activities	<u>(236,666)</u>	<u>(226,666)</u>
Net change in cash and cash equivalents	355,772	(650,314)
Cash and cash equivalents at beginning of year	<u>162,912</u>	<u>813,226</u>
Cash and cash equivalents at end of year	\$ <u>518,684</u>	\$ <u>162,912</u>
Supplemental disclosure of cash flow information:		
Interest paid during the year	<u>\$ 627,617</u>	<u>\$ 637,350</u>

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

[1] Organization:

Guttmacher Institute, Inc. (the "Institute"), incorporated in New York in 1977, with offices in New York City and Washington, D.C., conducts reproductive health research, policy analysis and public education activities in the United States and internationally. The Institute conducts its activities through revenue generated from U.S. and foreign government grants and contracts, private organization grants, individual contributions and the sale of publications.

The Institute is a not-for-profit corporation 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] Basis of accounting:

The accompanying financial statements of the Institute 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 corporations.

[3] Functional allocation of expenses:

The costs of providing the various programs and the supporting services have been summarized on a functional basis in the accompanying statements of activities and of functional expenses. Accordingly, certain costs have been allocated among the programs and the supporting services benefited, based on management's estimates.

[4] 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, as well as the disclosure of contingent assets and liabilities. Actual results may differ from those estimates.

[5] Cash equivalents:

For financial-reporting purposes, the Institute considers all highly liquid investments, with maturities of three months or less when purchased, to be cash equivalents. Cash equivalents considered part of the Institute's investment portfolio are reported as investments in the accompanying statements of financial position.

[6] Investments:

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at their fair values, with gains and losses included in the accompanying statements of activities. Mutual funds, consisting of bond and equity funds, are reported at their fair values, as determined by the related investment managers or advisors. Donated securities are recorded at their fair values on the dates of the gifts.

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

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

[7] Property and equipment:

Property and equipment are stated at their original costs at the dates of acquisition, or if contributed, at their appraised values at the dates of contribution. Leasehold improvements are capitalized as assets, whereas the costs of repairs and maintenance are expensed each year as incurred.

Depreciation is provided using the straight-line method over the estimated useful lives of the respective assets, ranging from 3 to 40 years. Leasehold improvements are amortized over the remaining term of the applicable lease, or the useful life of the improvement, whichever is shorter.

[8] Deferred debt issuance costs:

The costs associated with the issuance of New York City Industrial Development Agency bonds have been capitalized and are being amortized over the life of the bonds, using the straight-line method.

[9] Contributions and grants:

Contributions to the Institute are recognized as revenue upon the receipt either of cash or other assets or of unconditional pledges. Grant revenue is recognized based on the terms of each individual grant. Contributions and grants are considered available for unrestricted use, unless the donor or grantor restricts the use thereof, either on a temporary or permanent basis. Contributions and grants to be received over periods longer than a single year are discounted at an interest rate commensurate with the risk involved.

The Institute reports contributions in the temporarily restricted net-asset classification if they are received with donor stipulations or time considerations as to their use. When a donor's restriction is met, that is, when a stipulated time restriction ends or the purpose of the 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."

[10] Accrued vacation:

Accrued vacation is included as a liability in the accompanying financial statements and represents the Institute's obligation for the cost of unused employee vacation time payable in the event of employee terminations; the obligation is recalculated every year. At December 31, 2009 and 2008, the accrued vacation obligation was estimated to be approximately \$398,000 and \$356,000, respectively.

[11] Deferred subscription revenue:

The portion of annual subscription proceeds that are applicable to the subsequent year is reported as a "deferred subscription revenue" liability in the accompanying statements of financial position.

[12] Net assets:

(i) Unrestricted:

Unrestricted net assets represent those resources that are not subject to donor restrictions. The Board of Directors has designated a portion of unrestricted net assets to provide a reserve for unanticipated contingencies and opportunities.

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

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

[12] Net assets: (continued)

(ii) Temporarily restricted:

Temporarily restricted net assets represent those resources that are subject to donor-imposed restrictions that will be met either by specific actions and/or the passage of time. Temporarily restricted contributions, the requirements of which are met in the year of donation, are reported as unrestricted. Net assets released from restrictions represent the satisfaction of the restricted purposes specified by donors.

(iii) Permanently restricted:

Permanently restricted net assets are those resources subject to donor-imposed stipulations that the related assets be maintained permanently by the Institute. The donors permit the Institute to use all of the income earned on related investments, and the net capital appreciation thereon, for general or specific purposes.

[13] Endowment funds:

The Institute reports all applicable disclosures to its funds treated as endowment, both donor-restricted and board-designated (see Note K).

[14] Income tax uncertainties:

In 2009, the Institute adopted the provisions of Accounting Standards Codification ("ASC") 740-10-05 relating to accounting and reporting for uncertainty in income taxes. Because of the Institute's general tax-exempt status, ASC 740-10-05 is not anticipated to have a material impact on the Institute's financial statements.

[15] Fair-value measurement:

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

[16] Subsequent events:

The Institute 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 year-end through the date of the independent auditors' report.

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE B - INVESTMENTS

At each year-end, investments consisted of the following:

	December 31,			
	2009		2008	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	\$ 3,992,284	\$ 3,992,284	\$ 6,626,970	\$ 6,626,970
U.S. government obligations	12,626,292	12,498,346	6,520,752	6,390,839
Mutual funds	3,124,439	4,010,746	2,477,873	4,011,804
	<u>\$ 19,743,015</u>	<u>\$ 20,501,376</u>	<u>\$ 15,625,595</u>	<u>\$ 17,029,613</u>

During each year, investment returns consisted of the following:

	Year Ended December 31,	
	2009	2008
Realized gains (losses)	\$ 23,752	\$ (47,772)
Unrealized gains (losses)	<u>645,657</u>	<u>(1,443,228)</u>
Net realized and unrealized gains (losses)	669,409	(1,491,000)
Interest and dividends (net of investment expenses of \$130,814 and \$65,315 for 2009 and 2008, respectively)	<u>182,234</u>	<u>480,117</u>
	<u>\$ 851,643</u>	<u>\$ (1,010,883)</u>

At December 31, 2009 and 2008, concentration of the Institute's investments in excess of 10% of the fair value of its portfolio included approximately 64% and 42%, respectively, in U.S. government treasury bonds.

As described in Note A[15], the Institute has adopted ASC 820-10-05 relating to fair-value measurement, which prescribes three levels of fair-value measurement as follows:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for identical assets and liabilities at the reporting date. The types of investments and other assets included in Level 1 consist of exchange-traded equity securities and debt, short-term money market funds, and actively traded obligations issued by the U.S. Government and government agencies.

Level 2: Valuations are based on either (1) quoted prices for similar assets or liabilities in active markets, (2) quoted prices for identical or similar assets or liabilities in markets that are not active or (3) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date. Level 2 assets include alternative investments that are redeemable at or near the balance sheet date.

Level 3: Fair value is determined based on pricing inputs that are unobservable and includes situations where there is little, if any, market activity for the asset or liability.

The Institute's investments in money-market funds, mutual funds, and U.S. Government obligations are classified entirely within Level 1.

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE C - CONTRIBUTIONS AND GRANTS RECEIVABLE

Pledges of future contributions and grants made to the Institute as of each year-end, but not yet collected as of that date, were recorded as contributions and grants receivable and were estimated to be due as follows:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Less than one year	\$ 4,191,340	\$ 7,037,556
One to five years	<u>3,554,961</u>	<u>1,515,686</u>
	7,746,301	8,553,242
Less discount to present value at 5%	<u>(382,328)</u>	<u>(140,914)</u>
	<u>\$ 7,363,973</u>	<u>\$ 8,412,328</u>

Based on prior experience, the Institute expects to collect the balance of contributions and grants receivable in full and, accordingly, has not recorded an allowance for uncollectible amounts.

NOTE D - PROPERTY AND EQUIPMENT

At each year-end, property and equipment consisted of the following:

	<u>December 31,</u>	
	<u>2009</u>	<u>2008</u>
Furniture and equipment	\$ 2,296,969	\$ 2,080,619
Leasehold improvements	1,061,316	1,047,917
Building	<u>11,966,672</u>	<u>11,966,672</u>
	15,324,957	15,095,208
Less accumulated depreciation and amortization	<u>(3,365,453)</u>	<u>(2,869,441)</u>
	<u>\$ 11,959,504</u>	<u>\$ 12,225,767</u>

Depreciation and amortization expense for 2009 and 2008 was \$512,326 and \$495,115, respectively.

GUTTMACHER INSTITUTE, INC.

**Notes to Financial Statements
December 31, 2009 and 2008**

NOTE E - DEBT

[1] New York City Industrial Development Agency Bonds:

To finance the acquisition of office space to be used as the Institute's place of operations, in May 2007 the Institute borrowed \$11,000,000 through the issuance of Civic Facility Revenue Bonds, Series 2007 (the "bonds") by the New York City Industrial Development Agency ("IDA"). The bonds, in an aggregate original face amount of \$11,000,000, mature through December 1, 2036 and bear interest at rates of 5.25% and 5.75%. The bond indenture requires the Institute to make annual sinking fund payments in amounts sufficient to permit the redemption of principal upon maturity. Sinking fund payments began on December 1, 2007 and are required every December 1 thereafter until 2036, as summarized below:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 180,000
2011	190,000
2012	195,000
2013	210,000
2014	220,000
Thereafter	<u>9,585,000</u>
	<u>\$10,580,000</u>

In connection with the issuance of the bonds, the Institute leased its property to the IDA for the duration of the debt, for a nominal rental, and concurrently leased the property back from the IDA for the same period at a rental equal to annual debt service. The Institute guarantees payment of rent under the lease agreement. Pursuant to the lease, the Institute is required to maintain a debt service reserve fund. As of December 31, 2009, \$420,000 had been paid to the debt service reserve fund.

[2] Note payable:

In May 2007, the Institute entered into a loan with an unrelated organization for \$1,000,000 to finance a portion of the acquisition of office space. The loan matures May 1, 2012 and bears simple interest at a rate of 2%. Minimum annual future payments under the loan agreement, for years subsequent to December 31, 2009, are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	\$ 66,666
2011	66,666
2012	<u>700,003</u>
	<u>\$ 833,335</u>

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE F - TEMPORARILY RESTRICTED NET ASSETS

At each year-end, temporarily restricted net assets consisted of the following:

	December 31,	
	2009	2008
Restricted for future periods	<u>\$ 6,489,786</u>	<u>\$ 4,881,875</u>
Restricted for time and the following purposes:		
Research	7,388,379	4,489,850
Public education	2,082,344	3,731,774
Public policy	<u>389,015</u>	<u>578,052</u>
	<u>9,859,738</u>	<u>8,799,676</u>
	<u>\$ 16,349,524</u>	<u>\$ 13,681,551</u>

During each year, net assets released from restrictions consisted of the following:

	Year Ended December 31,	
	2009	2008
Time restrictions satisfied	<u>\$ 3,035,379</u>	<u>\$ 2,617,909</u>
Purpose restrictions satisfied:		
Research	3,062,186	2,313,326
Public education	1,811,418	496,345
Public policy	<u>453,616</u>	<u>341,854</u>
	<u>5,327,220</u>	<u>3,151,525</u>
	<u>\$ 8,362,599</u>	<u>\$ 5,769,434</u>

NOTE G - EMPLOYEE BENEFIT PLANS

[1] 401(k) plan:

The Institute maintains a defined-contribution retirement plan, established under Section 401(k) of the Internal Revenue Code, that covers substantially all employees, each of whom must meet certain eligibility requirements as to age and length of service. The Institute's expense related to contributions to the 401(k) plan for 2009 and 2008 was approximately \$572,000 and \$491,000, respectively.

[2] Deferred-compensation plan:

In April 2004, the Institute established a deferred-compensation plan under Section 457(b) of the Internal Revenue Code for certain eligible employees, defined by the Institute as its executive team. Under the terms of the 457(b) plan, eligible employees may contribute amounts through a salary-reduction agreement. The Institute does not contribute to this plan.

GUTTMACHER INSTITUTE, INC.

Notes to Financial Statements December 31, 2009 and 2008

NOTE H - CREDIT RISK

Financial instruments that potentially subject the Institute to concentrations of credit risk consist principally of cash and cash-equivalent accounts deposited in financial institutions, the balances of which, from time to time, may exceed federal insurance limits. However, management believes that the Institute does not face a significant risk of loss on these accounts.

NOTE I - COMMITMENT AND CONTINGENCY

[1] The Institute is obligated under a noncancelable operating lease for its regional office in Washington, D.C., expiring in 2013. As of December 31, 2009, minimum future lease payments under the lease agreement are:

<u>Year</u>	<u>Amount</u>
2010	\$ 182,000
2011	186,000
2012	189,000
2013	<u>193,000</u>
	<u>\$ 750,000</u>

Rent expense for 2009 and 2008 was approximately \$260,000 and \$383,000, respectively.

[2] Government-funded activities are subject to audit by the applicable granting agencies. As of December 31, 2009, no such audits had been undertaken at the Institute, and management has no reason to believe that unaudited projects would result in any material obligations.

NOTE J - RENTAL INCOME AGREEMENT

On November 1, 2007, the Institute entered into an agreement to lease approximately 1,800 square feet of its condominium unit to an unrelated not-for-profit organization. The lease term is for three years and the minimum lease payment to be received, excluding condominium charges, for 2010 is \$50,000.

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS

[1] The endowments:

The Institute's endowments consist of approximately four individual funds established for a variety of purposes and consist of both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowment.

[2] Interpretation of relevant law:

The Board of Directors has interpreted the New York State Uniform Management of Institutional Funds Act ("UMIFA") as requiring the preservation of the historic dollar value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Institute classifies as permanently restricted net assets:

- the original value of gifts donated to the permanent endowment,

GUTTMACHER INSTITUTE, INC.

**Notes to Financial Statements
December 31, 2009 and 2008**

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[2] Interpretation of relevant law: (continued)

- the original value of subsequent gifts to the permanent endowment, and
- accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

[3] Endowment net-asset composition by type of fund:

	Year Ended December 31, 2009		
	Unrestricted	Permanently Restricted	Total
Donor-restricted endowment funds		\$ 4,855,238	\$4,855,238
Board-designated funds	\$ 3,481,339		3,481,339
Total funds	<u>\$ 3,481,339</u>	<u>\$ 4,855,238</u>	<u>\$8,336,577</u>

[4] Changes in endowment net assets:

	Fiscal-Year Ended December 31, 2009		
	Board Designated	Permanently Restricted	Total
Net assets, beginning of the year	\$ 2,743,898	\$ 4,855,238	\$7,599,136
Investment return:			
Investment income	96,981		96,981
Net realized and unrealized gains	640,460	0	640,460
Total investment return	737,441	0	737,441
Net assets, end of the year	<u>\$ 3,481,339</u>	<u>\$ 4,855,238</u>	<u>\$8,336,577</u>

	Fiscal-Year Ended December 31, 2008		
	Board Designated	Permanently Restricted	Total
Net assets, beginning of the year	\$ 4,018,760	\$ 4,855,238	\$8,873,998
Investment return:			
Investment income	250,040		250,040
Net realized and unrealized losses	(1,524,902)	0	(1,524,902)
Total investment return	(1,274,862)	0	(1,274,862)
Net assets, end of the year	<u>\$ 2,743,898</u>	<u>\$ 4,855,238</u>	<u>\$7,599,136</u>

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Notes to Financial Statements December 31, 2009 and 2008

NOTE K - ACCOUNTING AND REPORTING FOR ENDOWMENTS (CONTINUED)

[5] Funds with deficiencies:

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that either the donor or UMIFA requires the Institute to retain as a fund of perpetual duration. As of December 31, 2009 and 2008, deficiencies of this nature that are reported in unrestricted net assets were approximately \$90,000 and \$607,000, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new permanently restricted contributions and continued appropriation for certain programs that was deemed prudent by the Board of Directors.

[6] Return objectives and risk parameters:

The Institute has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Institute must hold in perpetuity, as well as board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce acceptable rates of return, with a moderate level of investment risk. The Institute expects its endowment-related funds, over time, to provide an average rate of return of approximately 5% annually. Actual returns in any given year may vary from this amount.

[7] Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, the Institute relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Institute targets a diversified asset allocation that places a greater emphasis on cash-based investments to achieve its long-term return objectives within prudent risk constraints.

[8] Spending policy and investment objectives:

The Institute has a policy of appropriating for distribution each year, depending on fiscal need, up to 5.5% of its endowment funds' average fair value over the prior 12 quarters through the year-end preceding the year in which the distribution is planned. In establishing this policy, the Institute considered the long-term expected return on its endowment. Accordingly, over the long term, the Institute expects the current spending policy to allow its endowment to grow at an average of at least 2% annually. This is consistent with the Institute's objective to maintain the purchasing power of the endowment assets held in perpetuity, or for an otherwise specified term, as well as to provide additional real growth through new gifts and investment returns.