

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Financial Statements
for year ended
June 30, 2009**

**CONDON
O'MEARA
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Independent Auditors' Report

The Board of Directors
Illuminating Engineering Society
of North America

We have audited the accompanying statement of financial position of the Illuminating Engineering Society of North America (the "Society") as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year's summarized information has been derived from the Society's fiscal 2008 financial statements and, in our report dated October 14, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit 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 audit provides 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 Illuminating Engineering Society of North America at June 30, 2009 and the results of its activities and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Condon O'Meara McGinty + Donnelly LLP

October 23, 2009

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

Statement of Financial Position

Assets

	June 30	
	2009	2008
Current assets		
Cash and cash equivalents	\$ 6,096,473	\$ 4,593,319
Investments, at market	3,321,762	4,089,736
Accounts receivable (net of allowance for doubtful accounts of \$14,000 in 2009 and \$13,000 in 2008)	776,592	1,014,178
Inventories	650,556	387,321
Prepaid expenses and other current assets	95,749	76,771
Total current assets	<u>10,941,132</u>	<u>10,161,325</u>
Property and equipment	<u>26,754</u>	<u>28,884</u>
Total assets	<u>\$10,967,886</u>	<u>\$10,190,209</u>

Liabilities and Net Assets

Current liabilities		
Accounts payable	\$ 223,676	\$ 158,255
Accrued expenses and other current liabilities	205,041	287,233
Members' dues received in advance	82,500	121,640
Deferred revenue – other	99,360	56,380
Total current liabilities	<u>610,577</u>	<u>623,508</u>
Net assets		
Unrestricted	7,712,116	7,193,291
Temporarily restricted	2,645,193	2,373,410
Total net assets	<u>10,357,309</u>	<u>9,566,701</u>
Total liabilities and net assets	<u>\$10,967,886</u>	<u>\$10,190,209</u>

See notes to financial statements.

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Statement of Activities
For the Year Ended June 30, 2009
(With Summarized Financial Information for the Year Ended June 30, 2008)**

	2009											2008	
	Unrestricted Funds							Temporarily Restricted Funds				Total All Funds	
	General	Reserve	Development	District Activity	Research	IESNA Committees (Note 1)	Board Designated Education	Total Unrestricted Funds	Education (Note 1)	Other (Note 1)	Total Temporarily Restricted Funds		Total All Funds
Revenues													
Members' annual dues	\$ 884,864	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 884,864	\$ -	\$ -	\$ -	\$ 884,864	\$ 853,297
Sustaining members' dues	394,525	-	-	-	-	-	-	394,525	-	-	-	394,525	412,355
LD&A and Leukos sales and subscriptions	244,616	-	-	-	-	-	-	244,616	-	-	-	244,616	271,613
Advertising	1,273,163	-	-	-	-	-	-	1,273,163	-	-	-	1,273,163	1,409,108
Technical publication sales	587,444	-	-	-	-	-	-	587,444	-	-	-	587,444	599,050
Conferences	616,026	-	-	-	-	135,635	-	751,661	-	-	-	751,661	569,388
LIGHTFAIR	1,146,614	-	-	-	-	-	-	1,146,614	-	-	-	1,146,614	1,502,714
Contributions	1,509	4,088	4,528	767	29,988	-	11,590	52,470	15,015	19,337	34,352	86,822	121,191
Investment income	41,034	99,939	45,147	329	19,228	7	15,201	220,885	88,300	24,946	113,246	334,131	221,985
Miscellaneous	25,278	-	-	-	-	-	-	25,278	-	47,200	47,200	72,478	39,648
Net assets released from restrictions	128,015	-	-	-	-	-	-	128,015	(31,243)	(96,772)	(128,015)	-	-
Total revenues	5,343,088	104,027	49,675	1,096	49,216	135,642	26,791	5,709,535	72,072	(5,289)	66,783	5,776,318	6,000,349
Expenses													
Marketing and advertising	802,871	-	-	-	-	-	-	802,871	-	-	-	802,871	807,304
Technical publications	137,472	-	-	-	-	-	-	137,472	-	-	-	137,472	135,183
Editorial - LD&A and Leukos	764,116	-	-	-	-	-	-	764,116	-	-	-	764,116	766,358
Communications	77,550	-	-	-	-	-	-	77,550	-	-	-	77,550	64,427
Technical	416,299	-	-	-	-	-	-	416,299	-	-	-	416,299	380,357
Conferences	463,085	-	-	-	-	-	-	463,085	-	-	-	463,085	390,306
LIGHTFAIR	6,836	-	-	-	-	-	-	6,836	-	-	-	6,836	5,040
Governance	41,434	-	-	-	-	-	-	41,434	-	-	-	41,434	111,570
Executive	319,103	-	-	-	-	-	-	319,103	-	-	-	319,103	312,015
Finance and administration	1,104,218	-	-	-	-	-	-	1,104,218	-	-	-	1,104,218	1,076,243
Membership	453,071	-	-	-	-	-	-	453,071	-	-	-	453,071	361,156
Unrestricted	-	126	81	40,333	34,383	134,200	50,775	259,898	-	-	-	259,898	237,499
Temporarily restricted	128,015	-	-	-	-	-	-	128,015	-	-	-	128,015	60,985
Total expenses	4,714,070	126	81	40,333	34,383	134,200	50,775	4,973,968	-	-	-	4,973,968	4,708,443
Increase (decrease) in net assets before depreciation and amortization	629,018	103,901	49,594	(39,237)	14,833	1,442	(23,984)	735,567	72,072	(5,289)	66,783	802,350	1,291,906
Depreciation and amortization	11,742	-	-	-	-	-	-	11,742	-	-	-	11,742	18,056
Increase (decrease) in net assets before interfund transfers	617,276	103,901	49,594	(39,237)	14,833	1,442	(23,984)	723,825	72,072	(5,289)	66,783	790,608	1,273,850
Interfund transfers													
Transfer from general fund	(1,005,000)	400,000	-	-	200,000	-	200,000	(205,000)	-	205,000	205,000	-	-
Interfund transfer	306,634	(83,684)	(222,950)	-	-	-	-	-	-	-	-	-	-
Increase (decrease) in net assets	(81,090)	420,217	(173,356)	(39,237)	214,833	1,442	176,016	518,825	72,072	199,711	271,783	790,608	1,273,850
Net assets, beginning of year	3,621,813	1,913,964	927,288	57,101	320,662	35,845	316,618	7,193,291	2,196,995	176,415	2,373,410	9,566,701	8,292,851
Net assets, end of year	\$ 3,540,723	\$ 2,334,181	\$ 753,932	\$ 17,864	\$ 535,495	\$ 37,287	\$ 492,634	\$ 7,712,116	\$ 2,269,067	\$ 376,126	\$ 2,645,193	\$ 10,357,309	\$ 9,566,701

See notes to financial statements.

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

Statement of Cash Flows

	Year Ended	
	June 30	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities		
Increase in net assets	\$ 790,608	\$1,273,850
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	11,742	18,056
Amortization of deferred rent abatement	-	(11,302)
Unrealized loss on investments	10,387	117,118
(Increase) decrease in current assets		
Accounts receivable	237,586	(272,497)
Inventories	(263,235)	56,909
Prepaid expenses and other current assets	(18,978)	4,523
Increase (decrease) in current liabilities		
Accounts payable	65,421	(58,121)
Accrued expenses and other current liabilities	(82,192)	28,185
Members' dues received in advance	(39,140)	(100,095)
Deferred revenue – other	42,980	(34,280)
Net cash provided by operating activities	<u>755,179</u>	<u>1,022,346</u>
Cash flows from investing activities		
Purchase of investments	(552,514)	(2,664,642)
Proceeds from sale of investments	1,310,101	2,222,048
Expenditures for property and equipment	(9,612)	(19,544)
Net cash provided by (used in) investing activities	<u>747,975</u>	<u>(462,138)</u>
Increase in cash and cash equivalents	1,503,154	560,208
Cash and cash equivalents, beginning of year	<u>4,593,319</u>	<u>4,033,111</u>
Cash and cash equivalents, end of year	<u>\$6,096,473</u>	<u>\$4,593,319</u>

See notes to financial statements.

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Notes to Financial Statements
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies

Nature of organization

The purpose of the Illuminating Engineering Society of North America (the “Society”) is to advance the art, science, and practice of illumination by investigation, evaluation, and dissemination of knowledge to consumers, producers, and general interest groups through educational, literary, and scientific means. The Society is organized and shall be operated exclusively for educational and scientific purposes within the meaning of Section 501(c)(3) of the Internal Revenue Code.

Unrestricted net assets

General fund

Includes all of the unrestricted funds used to account for the general activities of the Society. During the 2009 fiscal year, the Board authorized a transfer of \$1,005,000, which consisted of \$400,000 to the Reserve Fund, \$200,000 to the Research Fund, \$200,000 to the Board-Designated Education Fund and \$205,000 to the Annual Conference Young Professionals Scholarship Fund.

Reserve fund

The Board of Directors of the Society has authorized a reserve fund for general contingencies. Although this fund is not restricted, the Board has segregated this fund and interest earned thereon. In addition, members’ voluntary contributions to increase the fund are reflected as revenue of the reserve. During the 2009 fiscal year, the Board authorized a transfer of interest and dividend income from the Reserve fund to the General fund totaling \$83,684.

Development fund

This fund was established by the Board of Directors to accumulate contributions for new programs or projects as approved by the Board. Funding is provided by members on a voluntary basis. During the 2009 fiscal year, the Board authorized a transfer, in connection with the Society’s lighting handbook production from the Development Fund to the General Fund totaling \$222,950.

District Activity Fund (formerly the RVP Fund)

Districts collect monies occasionally from sections within the districts. Any funds collected are to be spent on various district activities.

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Research fund

The fund was established by the Board of Directors to support the research needs of the Society.

IESNA Committees funds

Roadway and Aviation funds were established to provide funds for meetings and/or conferences. The following is a summary of the changes in the IESNA Committees funds for the year ended June 30, 2009:

	<u>Roadway</u>	<u>Aviation</u>	<u>Totals</u>
Net assets, June 30, 2008	<u>\$ 4,714</u>	<u>\$ 31,131</u>	<u>\$ 35,845</u>
Additions			
Conference revenue	6,181	129,454	135,635
Investment income	<u>7</u>	<u>-</u>	<u>7</u>
Total additions	<u>6,188</u>	<u>129,454</u>	<u>135,642</u>
Deductions			
Conference expenses	8,862	118,223	127,085
Miscellaneous	<u>-</u>	<u>7,115</u>	<u>7,115</u>
Total deductions	<u>8,862</u>	<u>125,338</u>	<u>134,200</u>
Net assets, June 30, 2009	<u>\$ 2,040</u>	<u>\$ 35,247</u>	<u>\$ 37,287</u>

Board-designated education fund

This fund was established to receive contributions and grants in order to further the educational goals of the Society.

Temporarily restricted net assets

These funds have been granted to the Society for specific purposes, primarily for lighting education, awards and future projects. Expenditures for these specific purposes are reflected as decreases in unrestricted net assets in the statement of activities. As expenditures are made, net assets are released from temporarily restricted net assets and are reclassified to unrestricted net assets.

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

The temporarily restricted net assets are as follows:

Education funds

The education funds provide funding for educational scholarships and seminars.

The following is a summary of the education funds:

Robert J. Besal Memorial Education Fund (Special Education Fund)

This fund was established by the Society, as an endowment, to further education in the field of illuminating engineering by means of scholarships for students and compensation for faculty members engaged in areas of study related to illuminating engineering. Presently, grants are being given to selected students enrolled in a lighting curriculum. Past recipients have attended Texas Christian University, University of Nebraska, Pennsylvania State University, the University of Colorado and the University of Kansas.

Richard Kelly Memorial Education Fund (Special Education Fund)

This fund was established by the Society, as a memorial. The purposes of the fund are as follows:

- To honor Richard Kelly and preserve the memory and meaning of his attitude toward light, and;
- To encourage continuing education in the professional development of young persons who have evidenced innovative thought and activity in the use of light, and;
- To give such young persons recognition for their continuing professional educational accomplishments.

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Temporarily restricted net assets (continued)

Robert Thunen Memorial Education Fund (Special Education Fund)

This fund was established by the Sections of the South Pacific Coast Region north of the Tehachapi Mountains and Sections of the Pacific Northwest Region within the United States, as an endowment, which will award scholarships to qualified students. Award qualifications are as follows:

- Be enrolled as a degree student in an educational institution within the area covered by the founding sections.
- Be enrolled in an accredited curriculum in architecture, architectural engineering, interior design or theater.
- Be a full-time junior or senior level student pursuing lighting work or a graduate student who has a specific lighting project as part of a degree program.

Howard Brandston Student Lighting Design Education Fund (Special Education Fund)

This fund was established, as an Endowment, to provide funds for an annual grant to further student interest in lighting design.

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Temporarily restricted net assets (continued)

The following is a summary of the changes in the Education Funds for the years ended June 30, 2009 and June 30, 2008:

	<u>Besal</u>	<u>Kelly</u>	<u>Thunen</u>	<u>Brandston</u>	<u>Totals</u>
Net assets, June 30, 2007	<u>\$1,907,809</u>	<u>\$ 86,599</u>	<u>\$ 143,356</u>	<u>\$ 54,792</u>	<u>\$2,192,556</u>
Additions					
Contributions	-	10,000	-	-	10,000
Investment income	<u>16,728</u>	<u>3,478</u>	<u>5,476</u>	<u>1,093</u>	<u>26,775</u>
Total additions	<u>16,728</u>	<u>13,478</u>	<u>5,476</u>	<u>1,093</u>	<u>36,775</u>
Deductions					
Educational grants and scholarships	15,000	7,500	6,000	1,314	29,814
Miscellaneous	<u>92</u>	<u>2,285</u>	<u>65</u>	<u>80</u>	<u>2,522</u>
Total deductions	<u>15,092</u>	<u>9,785</u>	<u>6,065</u>	<u>1,394</u>	<u>32,336</u>
Net assets, June 30, 2008	<u>1,909,445</u>	<u>90,292</u>	<u>142,767</u>	<u>54,491</u>	<u>2,196,995</u>
Additions					
Contributions	-	13,500	-	1,515	15,015
Investment income	<u>73,883</u>	<u>1,623</u>	<u>9,739</u>	<u>3,055</u>	<u>88,300</u>
Total additions	<u>73,883</u>	<u>15,123</u>	<u>9,739</u>	<u>4,570</u>	<u>103,315</u>
Deductions					
Educational grants and scholarships	10,000	10,000	6,500	2,791	29,291
Miscellaneous	<u>80</u>	<u>1,727</u>	<u>65</u>	<u>80</u>	<u>1,952</u>
Total deductions	<u>10,080</u>	<u>11,727</u>	<u>6,565</u>	<u>2,871</u>	<u>31,243</u>
Net assets, June 30, 2009	<u>\$1,973,248</u>	<u>\$ 93,688</u>	<u>\$ 145,941</u>	<u>\$ 56,190</u>	<u>\$2,269,067</u>

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Temporarily restricted net assets (continued)

Other temporarily restricted funds

The following is a summary of the other temporarily restricted funds:

Annual Conference Young Professionals Scholarship Fund (ACYPSF)

The Fund, which is restricted, consists of contributions, which are placed into an endowment fund. The income from the endowment will support young professionals in attending the IES Annual Conference who would otherwise not be able to attend.

Award funds

IIDA funds

IIDA funds were established to provide funding for the International Illumination Design Awards. The IIDA funds are comprised of four contributors. The Guth Trust, OSRAM Sylvania and Paul Waterbury contribute on an annual or semi-annual basis to fund their award. The Aileen Page Cutler fund was established in 1991 by a \$25,000 endowment. The earnings of the endowment fund the Cutler IIDA award. These funds are all restricted for the purpose of illumination design awards.

Taylor Technical Talent Award

The funds were established to annually recognize the outstanding lighting applications paper published in LD&A or presented at the annual conference or at a regional conference.

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Temporarily restricted net assets (continued)

The following is a summary of the changes in the other temporarily restricted funds for the years ended June 30, 2009 and June 30, 2008:

	<u>ACYPSE</u>	<u>Award</u>	<u>Totals</u>
Net assets, June 30, 2007	\$ -	\$ 119,954	\$ 119,954
Additions			
Contributions	35,290	15,250	50,540
Investment income	(463)	20,555	20,092
Miscellaneous	-	14,478	14,478
Total additions	<u>34,827</u>	<u>50,283</u>	<u>85,110</u>
Deductions			
Award program expenditures	-	28,519	28,519
Miscellaneous	-	130	130
Net assets released from restrictions	-	-	-
Total deductions	<u>-</u>	<u>28,649</u>	<u>28,649</u>
Net assets, June 30, 2008	<u>34,827</u>	<u>141,588</u>	<u>176,415</u>
Additions			
Contributions	5,337	14,000	19,337
Investment income	10,947	13,999	24,946
Miscellaneous	-	47,200	47,200
Total additions	<u>16,284</u>	<u>75,199</u>	<u>91,483</u>
Deductions			
Award program expenditures	4,902	91,675	96,577
Miscellaneous	65	130	195
Net assets released from restrictions	-	-	-
Total deductions	<u>4,967</u>	<u>91,805</u>	<u>96,772</u>
Transfer from general fund	<u>205,000</u>	<u>-</u>	<u>205,000</u>
Net assets, June 30, 2009	<u>\$ 251,144</u>	<u>\$ 124,982</u>	<u>\$ 376,126</u>

**ILLUMINATING ENGINEERING SOCIETY
OF NORTH AMERICA**

**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Cash equivalents

Cash equivalents are highly liquid investments with average maturities of 90 days or less. The Society considers certificates of deposit to be cash equivalents.

Depreciation and amortization

Property and equipment are recorded at historical cost. Depreciation and amortization are computed on the straight-line basis, over periods ranging from 5 to 15 years. Leasehold improvements are being amortized over the life of the lease. During the 2008 fiscal year, the Society wrote-off fully depreciated assets totaling \$72,207.

Members' dues

Membership dues are recognized as revenue in the applicable membership year. Dues collected in advance are classified as members' dues received in advance on the statement of financial position.

Inventories

Inventories of publications and handbooks are recorded at the lower of cost or market. Publications in progress represent cost for research and development of publications and handbooks to be published in the future. The inventories at June 30, 2009 and June 30, 2008 are as follows:

	Fiscal year	
	2009	2008
Publications and handbooks	\$ 213,258	\$ 248,205
Publications in progress	437,298	139,116
Total	\$ 650,556	\$ 387,321

Concentration of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist primarily of cash, cash equivalents, investments and accounts receivable. The Society places its cash and cash equivalents with what it believes to be quality financial institutions. At times, the balance in the Society's cash and cash equivalents is in excess of FDIC insurance limits. The Society invests in bonds and notes issued by the United States Government, corporations and preferred stock. The Society's accounts receivable consist principally of amounts due from advertisers in its monthly magazine and distributions due from LIGHTFAIR. The Society believes no significant concentrations of credit risk exist with respect to its cash, cash equivalents, investments and accounts receivable.

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 1 – Nature of organization and summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual results could differ from these estimates.

Subsequent events

Subsequent events have been evaluated through the date of this report, which is the date these financial statements were available to be issued.

Investments

The Society's investments are stated at fair value based on quoted market prices.

Comparative financial information

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset classification. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Note 2 – Investments

The following is a summary of the investments held by the Society at June 30, 2009 and 2008:

	<u>2009</u>		<u>2008</u>	
	<u>Cost</u>	<u>Market Value</u>	<u>Cost</u>	<u>Market Value</u>
Preferred stock	\$ 247,473	\$ 185,708	\$ 202,215	\$ 150,570
Bonds and Notes	1,764,157	1,702,764	1,366,569	1,352,857
Government obligations	<u>1,469,810</u>	<u>1,433,290</u>	<u>2,670,243</u>	<u>2,586,309</u>
Total	<u>\$3,481,440</u>	<u>\$3,321,762</u>	<u>\$4,239,027</u>	<u>\$4,089,736</u>

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 2 – Investments (continued)

Fair value measurement

As of June 30, 2009, the Society was subject to the requirements of Statements of Financial Accounting Standards No. 157, “Fair Value Measurements” (SFAS 157), as amended. SFAS No. 157 establishes a fair value hierarchy giving the highest priority to quoted market prices in active markets and the lowest priority to unobservable data. The three levels of the fair value hierarchy under SFAS No. 157 are as follows:

Level 1 – Quoted prices in active markets for identical assets.

Level 2 – Quoted prices for identical assets in markets that are not active, quoted prices for similar assets in active markets, inputs other than quoted market prices, and inputs derived principally from observable market data with insufficient volume or infrequent transactions (less active markets).

Level 3 – Unobservable inputs to the valuation methodology that are significant to the measurement of fair value of assets..

At June 30, 2009, the Society’s financial assets that are measured at fair value on a recurring basis consist of its investments. All investments are deemed to be Level 1 assets.

Note 3 – Property and equipment

A summary of property and equipment and related accumulated depreciation and amortization at June 30, 2009 and June 30, 2008 is as follows:

	<u>Fiscal year</u>	
	<u>2009</u>	<u>2008</u>
Leasehold improvements	\$ 229,029	\$ 229,029
Furniture, fixtures and equipment	235,045	225,433
Total	464,074	454,462
Less accumulated depreciation and amortization	<u>437,320</u>	<u>425,578</u>
Net property and equipment	<u>\$ 26,754</u>	<u>\$ 28,884</u>

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 4 – Lease agreement

On July 18, 2006, the Society extended its lease for an additional ten years, commencing on February 1, 2008 and expiring on January 31, 2018. The Society is required to pay a base rent of \$341,040 per annum for the first five-year period and \$376,320 per annum for the last five-year period of the agreement.

A summary of the minimum annual lease payments as of June 30, 2009 is as follows:

<u>Fiscal year</u>	<u>Amount</u>
2010	\$ 341,040
2011	341,040
2012	341,040
2013	355,740
2014	376,320
2015 and thereafter	<u>1,348,480</u>
Total	<u>\$3,103,660</u>

Rent expense for the years ended June 30, 2009 and June 30, 2008 amounted to \$336,183 and \$307,044, respectively.

In addition, the Society leases a portion of its premises expiring January 31, 2013 for approximately \$30,000 per annum.

Note 5 – Retirement plan

The Society maintains a defined contribution pension plan for its employees who have completed one year of service. Contributions to the plan amount to 6% of a participant's salary. Pension expense for the years ended June 30, 2009 and June 30, 2008 amounted to \$94,690 and \$92,211, respectively.

Note 6 – Commitment

In connection with the production of the 10th edition of the Society's lighting handbook, the Society entered into a contract totaling approximately \$495,000. Work on the production commenced in December 2008 and the handbook is expected to be completed in August 2010. At June 30, 2009, \$222,950 has been paid towards the balance of the contract.

**ILLUMINATING ENGINEERING SOCIETY
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**Notes to Financial Statements (continued)
June 30, 2009**

Note 7 – Taxes

The Society is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, except for a tax on its net advertising and royalty revenue. In addition, the Society has been determined by the Internal Revenue Service to be a publicly supported organization and not a private foundation within the meaning of Section 509(a) of the Code.

Recent accounting pronouncement

The Financial Accounting Standards Board (FASB) has issued FASB Interpretation No. 48 (FIN-48), "Accounting for Uncertainty in Income Taxes." The implementation of FIN-48 has been deferred for a one-year period for nonprofit organizations by the FASB staff position, FIN 48-3, and will be effective for the Society's 2010 fiscal year.