



**THE POPULATION COUNCIL, INC.**

Financial Statements

December 31, 2007

(With Independent Auditors' Report Thereon)



KPMG LLP  
345 Park Avenue  
New York, NY 10154

## Independent Auditors' Report

The Board of Trustees  
The Population Council, Inc.:

We have audited the accompanying balance sheet of The Population Council, Inc. (the Council) as of December 31, 2007, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Council's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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 Council'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 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 Population Council, Inc. as of December 31, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in note 8 to the financial statements, the Council adopted the provisions of Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*, as of December 31, 2007.

**KPMG LLP**

May 12, 2008

**THE POPULATION COUNCIL, INC.**

Balance Sheet

December 31, 2007

**Assets**

Cash and cash equivalents	\$ 6,702,247
Grants and contributions receivable, net (note 4):	
U.S. government agencies	43,204,631
Other	15,872,014
Other receivables	2,437,558
Prepaid expenses and other assets (notes 7 and 8)	7,416,347
Investments (note 3)	107,847,582
Fixed assets, net (note 5)	9,406,724
	<hr/>
Total assets	\$ 192,887,103
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**Liabilities and Net Assets**

Liabilities:

Accounts payable, accrued expenses, and other liabilities (note 7)	\$ 4,808,098
Awards, contracts, and fellowships payable	9,211,840
Loan payable (note 9)	1,506,000
Deferred rent credit (note 7)	889,207
Accrued lease obligation (note 7)	2,680,888
Postretirement medical benefits payable (note 8)	6,969,420
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Total liabilities	26,065,453
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Commitments and contingencies (notes 3, 7, 8, and 12)

Net assets:

Unrestricted:	
General undesignated	5,736,151
The John D. Rockefeller 3rd Memorial Fund and others	80,695,779
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	86,431,930
Temporarily restricted (note 6)	74,903,944
Permanently restricted (note 6)	5,485,776
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Total net assets	166,821,650
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Total liabilities and net assets	\$ 192,887,103
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See accompanying notes to financial statements.

**THE POPULATION COUNCIL, INC.**

Statement of Activities

Year ended December 31, 2007

	<u>General undesignated</u>	<u>Unrestricted The John D. Rockefeller 3rd Memorial Fund and others</u>	<u>Total</u>
Operating revenue:			
Grants and contributions (note 10)	\$ 744,841	734,981	1,479,822
Royalties	4,669,474	—	4,669,474
Interest and dividends	155,053	5,343,547	5,498,600
Net appreciation (depreciation) in fair value of investments	27,884	(2,713,006)	(2,685,122)
Other	38,902	—	38,902
Net assets released from restrictions	65,978,316	—	65,978,316
<b>Total operating revenue</b>	<b>71,614,470</b>	<b>3,365,522</b>	<b>74,979,992</b>
Operating expenses:			
Program services:			
HIV and AIDS	21,824,330	—	21,824,330
Poverty, Gender, and Youth	7,614,388	—	7,614,388
Reproductive Health	30,466,758	—	30,466,758
Distinguished Colleagues	549,961	—	549,961
Publications	927,539	—	927,539
Program development and shared activities	1,466,959	—	1,466,959
<b>Total program services</b>	<b>62,849,935</b>	<b>—</b>	<b>62,849,935</b>
Supporting services:			
Management and general	10,050,223	809,430	10,859,653
Fund-raising	528,844	—	528,844
<b>Total supporting services</b>	<b>10,579,067</b>	<b>809,430</b>	<b>11,388,497</b>
<b>Total operating expenses</b>	<b>73,429,002</b>	<b>809,430</b>	<b>74,238,432</b>
(Deficiency) excess of operating revenue over operating expenses	(1,814,532)	2,556,092	741,560
Other changes in net assets:			
Gain on lease obligation (note 7)	400,092	—	400,092
Loss on settlement of claims	(478,000)	—	(478,000)
Transfer to (from) endowment	205,441	(205,441)	—
(Decrease) increase in net assets before effect of SFAS 158 adoption	(1,686,999)	2,350,651	663,652
Effect of adoption of SFAS 158 (note 8)	(1,028,563)	—	(1,028,563)
(Decrease) increase in net assets	(2,715,562)	2,350,651	(364,911)
Net assets at beginning of year	8,451,713	78,345,128	86,796,841
Net assets at end of year	\$ <u>5,736,151</u>	<u>80,695,779</u>	<u>86,431,930</u>

See accompanying notes to financial statements.

<b>Temporarily restricted</b>	<b>Permanently restricted</b>	<b>Total</b>
61,078,343	700	62,558,865
—	—	4,669,474
1,268,433	—	6,767,033
(255,714)	—	(2,940,836)
—	—	38,902
(65,978,316)	—	—
<u>(3,887,254)</u>	<u>700</u>	<u>71,093,438</u>
—	—	21,824,330
—	—	7,614,388
—	—	30,466,758
—	—	549,961
—	—	927,539
—	—	1,466,959
<u>—</u>	<u>—</u>	<u>62,849,935</u>
—	—	10,859,653
—	—	528,844
<u>—</u>	<u>—</u>	<u>11,388,497</u>
—	—	74,238,432
<u>(3,887,254)</u>	<u>700</u>	<u>(3,144,994)</u>
—	—	400,092
—	—	(478,000)
—	—	—
<u>(3,887,254)</u>	<u>700</u>	<u>(3,222,902)</u>
—	—	(1,028,563)
<u>(3,887,254)</u>	<u>700</u>	<u>(4,251,465)</u>
<u>78,791,198</u>	<u>5,485,076</u>	<u>171,073,115</u>
<u>74,903,944</u>	<u>5,485,776</u>	<u>166,821,650</u>

**THE POPULATION COUNCIL, INC.**

Statement of Functional Expenses

Year ended December 31, 2007

	<b>Program services</b>			
	<b>HIV and AIDS</b>	<b>Poverty, Gender, and Youth</b>	<b>Reproductive Health</b>	<b>Distinguished Colleagues</b>
Awards, contracts, and fellowships	\$ 6,245,287	786,123	5,968,824	—
Salaries and allowances	6,171,089	3,115,518	10,728,269	344,963
Pensions and other employee benefits (note 8)	1,968,150	1,003,669	3,375,231	120,789
Consultants and professional fees	405,317	449,131	1,201,080	15,334
Research and related services	1,755,317	176,596	1,251,011	
Laboratory supplies, equipment, and maintenance	801,008	25,241	807,026	1,854
Travel and meetings	1,438,596	856,140	2,721,226	4,665
Occupancy, net (note 7)	1,427,501	795,808	2,098,457	52,700
Telecommunications, postage, and supplies	514,128	102,117	671,086	1,569
Office equipment and maintenance	147,227	87,468	374,922	730
Printing, publications, books, and journals	545,729	29,101	288,108	329
Insurance	41,180	1,533	437,027	—
Publication costs charged to other departments	15,441	84,357	15,110	—
Other	45,411	11,421	71,918	669
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses before depreciation and amortization	21,521,381	7,524,223	30,009,295	543,602
Depreciation and amortization of leasehold improvements, equipment, and other	302,949	90,165	457,463	6,359
	<hr/>	<hr/>	<hr/>	<hr/>
Total	\$ 21,824,330	7,614,388	30,466,758	549,961
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying notes to financial statements.

<b>Publications</b>	<b>Program development and shared activities</b>		<b>Supporting services</b>			<b>Total expenses</b>
		<b>Total</b>	<b>Management and general</b>	<b>Fund-raising</b>	<b>Total</b>	
—	68,104	13,068,338	—	—	—	13,068,338
588,274	659,305	21,607,418	5,215,240	307,673	5,522,913	27,130,331
206,762	179,141	6,853,742	1,784,016	113,335	1,897,351	8,751,093
521	56,895	2,128,278	788,195	—	788,195	2,916,473
	86,492	3,269,416	41,896	3,590	45,486	3,314,902
3,126	4,944	1,643,199	—	—	—	1,643,199
7,623	175,483	5,203,733	305,489	11,540	317,029	5,520,762
193,732	124,811	4,693,009	1,099,211	62,157	1,161,368	5,854,377
9,819	49,956	1,348,675	340,204	1,685	341,889	1,690,564
1,232	11,796	623,375	379,258	—	379,258	1,002,633
136,786	19,993	1,020,046	(20,716)	26,591	5,875	1,025,921
—	1,688	481,428	140,268	—	140,268	621,696
(232,515)	160	(117,447)	117,447	—	117,447	—
1,454	4,864	135,737	45,917	2,273	48,190	183,927
916,814	1,443,632	61,958,947	10,236,425	528,844	10,765,269	72,724,216
10,725	23,327	890,988	623,228	—	623,228	1,514,216
927,539	1,466,959	62,849,935	10,859,653	528,844	11,388,497	74,238,432

**THE POPULATION COUNCIL, INC.**

Statement of Cash Flows

Year ended December 31, 2007

Cash flows from operating activities:	
Decrease in net assets	\$ (4,251,465)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Effect of adoption of SFAS 158	1,028,563
Depreciation and amortization	1,514,216
Gain on lease obligation	(400,092)
Loss on settlement of claims	478,000
Net depreciation in fair value of investments	2,940,836
Net gain on sale of fixed assets	(9,786)
Permanently restricted contributions classified as financing activities	(700)
Changes in assets and liabilities:	
Grants and contributions receivable	1,181,885
Other receivables	(138,653)
Prepaid expenses and other assets	(787,887)
Accounts payable, accrued expenses, and other liabilities	849,328
Awards, contracts, and fellowships payable	888,660
Deferred rent credit	(26,967)
Postretirement medical benefits payable	403,019
Net cash provided by operating activities	<u>3,668,957</u>
Cash flows from investing activities:	
Purchase of investments	(104,156,315)
Proceeds from sale of investments	99,548,084
Purchases of fixed assets	(746,953)
Proceeds from sale of fixed asset	18,220
Net cash used in investing activities	<u>(5,336,964)</u>
Cash flows from financing activities:	
Payment on loans payable	(170,000)
Permanently restricted contributions	700
Net cash used in financing activities	<u>(169,300)</u>
Net decrease in cash and cash equivalents	(1,837,307)
Cash and cash equivalents at beginning of year	<u>8,539,554</u>
Cash and cash equivalents at end of year	<u>\$ 6,702,247</u>

See accompanying notes to financial statements.

# THE POPULATION COUNCIL, INC.

## Notes to Financial Statements

December 31, 2007

### (1) Description of Organization

The Population Council, Inc. (the Council), an international not-for-profit, nongovernmental research organization established in 1952, seeks to improve the well-being and reproductive health of current and future generations around the world and to help achieve a humane, equitable, and sustainable balance between people and resources. The Council analyzes population issues and trends; conducts research in reproductive biology and immunology; develops new health products; works with public and private agencies to improve the quality and outreach of family planning, reproductive health services, and HIV/AIDS services; helps governments design and implement effective population policies; communicates the results of research in the population field to diverse audiences; and helps strengthen professional resources in developing countries through collaborative research and programs, technical exchange, awards, and fellowships. In 2007, the Council has reported its expenses under newly developed functional categories.

The Council derives its support and revenue from governments, foundations and other not-for-profit organizations, multilateral organizations, corporations, individuals, and internal sources such as investments, publications, and royalty income. The Council's headquarters and the Center for Biomedical Research are located in New York City. The Council also has an office in Washington, D.C., as well as regional and country offices overseas. The Council has been classified by the Internal Revenue Service as exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and judgments that affect the reported amount of assets and liabilities and disclosures of contingencies at the date of the financial statements, and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

#### (b) Basis of Presentation

The Council classifies its net assets and revenues, gains, and losses based on the existence or absence of donor-imposed restrictions as follows:

*Unrestricted net assets* are not subject to any donor-imposed stipulations. However, the board of trustees may choose to designate amounts for particular uses. To function as endowment, three board-designated funds have been established, the largest of which is The John D. Rockefeller 3rd Memorial Fund.

*Temporarily restricted net assets* are subject to donor-imposed stipulations that will be met either by actions of the Council and/or the passage of time.

## THE POPULATION COUNCIL, INC.

### Notes to Financial Statements

December 31, 2007

*Permanently restricted net assets* are subject to donor-imposed stipulations that they be maintained permanently by the Council. Generally, the donors of these assets permit the Council to use all or part of the return earned on related investments for general or specific 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 assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor-stipulations 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.

The Council excludes from operations transfers to/from endowment and unusual or nonrecurring activities.

**(c) *Cash Equivalents***

Cash equivalents include short-term investments with original maturities of 90 days or less, except for those short-term investments managed by external investment managers as part of a long-term investment strategy.

**(d) *Grants and Contributions***

Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period received.

Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

**(e) *Royalties from License Agreements***

Royalties from license agreements are recognized in accordance with the conditions of each agreement.

**(f) *Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are reported at fair value based on quoted market prices. The fair value of the limited partnership is provided by the general partner based on the underlying net assets of the partnership and is reviewed and evaluated by management of the Council.

**(g) *Fixed Assets***

Fixed assets include furniture, fixtures, equipment, computer software, and leasehold improvements that have unit costs in excess of \$5,000, and which are recorded at cost. Leasehold improvements are amortized using the straight-line method over the life of the lease or useful life of the asset, whichever is shorter. All other fixed assets are depreciated using the straight-line method over the estimated useful lives of the assets, ranging from 4 to 20 years.

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

**(h) Foreign Currency Translation**

The Council has determined that the functional currency of its foreign offices is the U.S. dollar. Accordingly, assets and liabilities are translated using the current exchange rates in effect on the balance sheet date. Revenue and expense accounts are translated at the average rate in effect during the year. Grants and contributions revenue includes approximately \$215,688 in foreign exchange gains in 2007.

**(i) Awards, Contracts, and Fellowships Payable**

The Council records, as expense, awards, contracts, and fellowships authorized during the year. A liability for unpaid amounts is included in the balance sheet.

**(j) Concentration of Support**

In 2007, approximately \$32 million of the Council's grants and contributions are funded by the United States Agency for International Development (USAID). As of December 31, 2007, \$29 million of the Council's grants and contributions receivable are also from USAID.

**(3) Investments**

The fair value of investments at December 31, 2007 is summarized as follows:

Short-term investments	\$	3,552,800
Fixed-income securities		32,472,409
Equity securities		12,727,385
Mutual funds – equity		56,179,930
Limited partnership		2,915,058
	\$	<u>107,847,582</u>

Short-term investments at December 31, 2007 include a certificate of deposit for \$308,833 held as collateral in conjunction with the sublease agreement entered into by the Council in 2001.

Under the terms of the limited partnership agreement, the Council is obligated to periodically advance additional funding for its limited partnership investments. At December 31, 2007, the Council had commitments of approximately \$10 million. This amount has not been recorded as a liability in the accompanying balance sheet. Such commitments generally have fixed expiration dates or other termination clauses. The Council maintains sufficient liquidity in its investment portfolio to cover such calls.

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

**(4) Grants and Contributions Receivable**

At December 31, 2007 grants and contributions receivable are expected to be collected as follows:

Less than one year	\$ 55,194,460
One to five years	<u>4,038,500</u>
	59,232,960
Less discount (at rates ranging from 1.75% to 4.58%)	<u>(156,315)</u>
Total grants and contributions receivable, net	<u>\$ 59,076,645</u>

**(5) Fixed Assets**

Fixed assets at December 31, 2007 consist of the following:

Leasehold improvements	\$ 16,941,392
Furniture and equipment	3,880,463
Computer equipment	2,377,945
Automobiles	457,759
Office condominium	<u>538,293</u>
	24,195,852
Less accumulated depreciation and amortization	<u>(14,789,128)</u>
	<u>\$ 9,406,724</u>

**(6) Temporarily Restricted and Permanently Restricted Net Assets**

At December 31, 2007, temporarily restricted net assets relate principally to grants and contributions receivable, and are to be used for the following purposes:

HIV and AIDS	\$ 17,189,796
Poverty, Gender, and Youth	17,794,320
Reproductive Health	35,880,160
Publications	75,392
Program development and shared activities	752,406
Future periods	<u>3,211,870</u>
	<u>\$ 74,903,944</u>

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

Permanently restricted net assets support operations as follows:

DeWitt Wallace Fellows	\$	450,000
Poverty, Gender, and Youth		2,035,776
General purpose		3,000,000
	\$	<u>5,485,776</u>

**(7) Leases**

*Headquarters Office*

The Council occupies its New York headquarters office under a noncancelable operating lease for two floors expiring February 28, 2017, one floor expiring February 29, 2012, and for one additional floor expiring December 30, 2014. The lease agreements include rental abatements and other concessions totaling \$2,261,666, which have been deferred and are being amortized over the term of the lease. The unamortized balance as of December 31, 2007 was \$889,207.

Future minimum lease payments by the Council are as follows:

	<u>Amount</u>
Year ending December 31:	
2008	\$ 2,890,630
2009	2,915,713
2010	2,950,830
2011	2,956,280
2012	2,627,888
2013 and thereafter	8,335,100
	<u>\$ 22,676,441</u>

The Council has subleased a portion of its headquarters office space. Future minimum lease payments by current sublease tenants are as follows:

	<u>Amount</u>
Year ending December 31:	
2008	\$ 1,245,841
2009	1,261,859
2010	1,323,558
2011	1,385,752
2012	900,579
2013 and thereafter	1,604,600
	<u>\$ 7,722,189</u>

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

The sublease agreements include rental abatements and escalations that are being recognized over the term of the lease. The unamortized balance as of December 31, 2007 was \$767,249, which is included in prepaid expenses and other assets in the balance sheet.

Rent expense for the headquarters office was \$2,346,962 in 2007, net of sublease income of \$1,389,110. Cash and cash equivalents and accounts payable and accrued expenses include approximately \$256,255 at December 31, 2007 related to sublease tenant security deposits.

The Council's headquarters lease includes certain unused space. A liability totaling \$2,680,888, which reflects the Council's estimated loss related to current lease obligations for unused space, net of current and estimated sublease rentals, is included on the accompanying balance sheet. This estimated liability was reduced by \$400,092 in 2007, which is reported as a nonoperating gain on the accompanying statement of activities.

***Center for Biomedical Research***

The Council's Center for Biomedical Research occupies three floors of office and laboratory space at Rockefeller University (the University) under a noncancelable operating lease expiring June 30, 2021. Rent expense was \$1,778,966 in 2007. Annual rent expense is adjusted based upon the Council's pro rata share of actual expenses incurred by the University and the annual percentage increase in the New York area's Consumer Price Index.

***Washington, D.C. Regional Office***

During 1997, the Council entered into an operating lease agreement for office space located in Washington, D.C. The agreement contains a special cancellation right in the event that specific cooperative agreements between the Council and the USAID are either not renewed or are otherwise terminated. The term of the lease agreement commenced on March 1, 1998 and was renewed during 2007, extending the termination date to March 31, 2014. Rent expense for this lease was \$271,006 in 2007. Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending December 31:	
2008	\$ 148,347
2009	232,519
2010	237,166
2011	241,915
2012	246,755
2013 and thereafter	314,918
	<u>\$ 1,421,620</u>

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

***Overseas Offices***

The Council also has operating lease agreements at its various overseas locations. Rent expense under these leases was \$1,140,720 in 2007. Future minimum lease payments are as follows:

	<u>Amount</u>
Year ending December 31:	
2008	\$ 456,064
2009	454,417
2010	420,745
2011	191,170
2012	<u>114,663</u>
	<u>\$ 1,637,059</u>

**(8) Pension and Other Retirement Benefits**

The Council has a noncontributory defined contribution pension plan covering substantially all of its employees. Contributions of 15% of the employees' base salaries are funded annually up to a maximum of \$29,000 per employee. Total pension expense for 2007 was approximately \$2,986,000.

In addition to providing pension benefits, the Council sponsors a defined benefit postretirement healthcare plan that provides medical and dental benefits for retired employees who meet certain minimum age and length of service requirements. During 1998, the Council established a trust to fund a portion of its postretirement medical benefit plan. Assets of the trust, amounting to \$5,017,842, are included in prepaid expenses and other assets in the balance sheet as of December 31, 2007. The plan is contributory, with retiree contributions adjusted periodically.

Effective December 31, 2007, the Council adopted Statement of Financial Accounting Standards No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans* (SFAS 158).

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

The following table presents the components of postretirement medical benefits payable at December 31, 2007:

Benefit obligation at December 31	\$	6,969,420
Fair value of plan assets at December 31 included in prepaid expenses and other assets		<u>5,017,842</u>
Funded status	\$	<u><u>(1,951,578)</u></u>
Postretirement medical benefits payable	\$	6,969,420
Benefit cost		474,760
Employer contribution		474,760
Plan participants' contributions		110,298
Benefits paid		(505,675)
Return on assets		323,637
Benefit obligation weighted average discount rate at December 31		6.25%
Benefit cost weighted average discount rate for the year ended December 31		6.00

For measurement purposes, a 4.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2007 and all future years. This annual rate of increase is net of participant contributions; the Council adjusts participant contributions for any increases in health costs above 5%.

The asset allocations of postretirement plan assets at December 31, 2007 are summarized as follows:

Short-term investments	9%
Fixed-income securities	28
Equity securities	24
Mutual funds – fixed income	17
Mutual funds – equity	<u>22</u>
	<u><u>100%</u></u>

Projected benefit payments, net of participant contributions, for each of the next five years and thereafter are as follows:

Year ending December 31:		
2008	\$	395,595
2009		394,070
2010		396,925
2011		390,306
2012		400,436
2013 – 2017		2,160,694
Projected contributions for 2008	\$	470,021

**THE POPULATION COUNCIL, INC.**

Notes to Financial Statements

December 31, 2007

At December 31, 2007, the net actuarial loss not yet recognized as a component of net periodic postretirement benefit cost, and which is included as the effect of adoption of SFAS 158, decreasing unrestricted net assets, totaled \$1,028,563. Amortization of the net actuarial loss in 2008 will be \$53,410.

The effect of applying SFAS 158 on the Council's balance sheet as of December 31, 2007 were as follows:

	<b>Before SFAS 158</b>	<b>After SFAS 158</b>
Accrued postretirement benefit obligation	\$ 5,940,857	6,969,420
Total liabilities	25,036,890	26,065,453
Total net assets	167,850,213	166,821,650

**(9) Loan Payable**

Funding in the form of a noninterest-bearing loan of \$1,506,000 was obtained in 1994 for program-related expenditures. Currently, there is no repayment schedule for the loan, which is to be repaid after the Council recoups its costs related to the program.

**(10) Danish Ministry of Foreign Affairs Contributions**

Grants and contributions revenue in 2007 includes contributions of \$1,171,303 remitted from the Danish Ministry of Foreign Affairs on November 20, 2007.

**(11) Fair Value of Financial Instruments**

The following methods and assumptions were used by the Council in estimating its fair value disclosures for financial instruments: for cash and cash equivalents, the respective amounts reported on the balance sheet equal or approximate fair value; for investments, fair values are based upon either quoted market prices for marketable securities or, for the limited partnership, estimates of fair value as discussed in note 2(f); and for grants and contributions receivable, the amounts reported on the balance sheet reflect their net realizable value. Fair value of accounts payable and accrued expenses; awards, contracts, and fellowships payable; and loans payable approximates their respective carrying amounts.

**(12) Contingencies**

The Council is contingently liable under certain claims and lawsuits, many of which are covered in whole or in part by insurance. In management's opinion, none of these claims and lawsuits will have a material adverse effect on the Council's financial position or changes in net assets.