Financial Statements for years ended August 31, 2008 and August 31, 2007

CONDON
O'MEARA
MCGINTY &
DONNELLY LLP

Certified Public Accountants

One Battery Park Plaza New York, NY 10004-1405 Tel: (212) 661 - 7777 Fax: (212) 661 - 4010

Independent Auditors' Report

To the Board of Directors
The New York Society of Security Analysts, Inc.

We have audited the accompanying statements of financial position of The New York Society of Security Analysts, Inc. (the "Society") as of August 31, 2008 and August 31, 2007 and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on those 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 audits 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 referred to above present fairly, in all material respects, the financial position of The New York Society of Security Analysts, Inc. at August 31, 2008 and August 31, 2007 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.

Corolar O'Neara Mality & Donelly LLP

Statements of Financial Position

Assets

	August 31		
	2008	2007	
Current assets			
Cash and cash equivalents (note 3)	\$8,027,119	\$6,382,125	
Investments, at market value (notes 2 and 4)	-	809,842	
Accounts receivable, net of allowance			
for doubtful accounts of \$5,000 in 2008			
and \$3,600 in 2007 (note 2)	643,320	499,698	
Prepaid expenses and other current assets	291,480	157,489	
Total current assets	8,961,919	7,849,154	
Restricted cash and cash equivalents (note 6)	200,387	200,387	
Furniture, fixtures, equipment and leasehold			
improvements at cost, net of accumulated			
depreciation and amortization (notes 2 and 5)	<u>217,888</u>	258,898	
Total assets	<u>\$9,380,194</u>	<u>\$8,308,439</u>	
Liabilities and Net Assets			
Current liabilities			
Accounts payable	\$ 53,168	\$ 77,352	
Accrued expenses and taxes	424,624	296,305	
Unearned dues revenue (note 2)	1,659,350	1,607,820	
Unearned revenue	757,288	682,571	
Current portion of rent abatement (note 6)	49,558	49,558	
Total current liabilities	2,943,988	2,713,606	
Rent abatement, net of current portion (note 6)	15,514	65,072	
Total liabilities	2,959,502	2,778,678	
Net assets			
Unrestricted (note 12)			
Operating fund	248,483	251,986	
Board designated			
Building fund	5,525,175	4,935,938	
Initiatives fund (note 2)	300,000		
Total unrestricted	6,073,658	5,187,924	
Temporarily restricted (note 7)	347,034	341,837	
Total net assets	6,420,692	5,529,761	
Total liabilities and net assets	\$9,380,194	\$8,308,439	

See notes to financial statements.

Statements of Activities

Year Ended August 31 2007 2008 **Temporarily Temporarily** Total Unrestricted Restricted Unrestricted Restricted Total Support and revenue Membership dues and fees (note 2) \$ \$ \$ 2.151.460 \$ 2.151.460 \$ 2.153.870 \$ 2.153.870 Education 3,568,507 3,568,507 3,102,591 3,102,591 Presentations 699,786 699,786 845,358 845,358 Seminars 236,890 236,890 362,537 362,537 Contributions 29,310 29,310 29,080 29,080 Special activity dinners 53.910 1,000 54.910 74,900 216,785 141,885 Other operating revenue 552,899 552,899 230,860 230,860 (33,223)Net assets released from restrictions (note 9) 33,223 34,311 (34,311)Total support and revenue 7,296,675 (2.913)7,293,762 6,871,412 69,669 6,941,081 **Expenses** Program services Education 2,415,901 2,415,901 2,074,211 2,074,211 Presentations 822,485 822,485 936,598 936,598 688,899 688,899 752,233 752,233 Seminars 2,563,069 2,563,069 2,180,310 2,180,310 Membership Total program services 6,490,354 6.490.354 5,943,352 5,943,352 Supporting services Management and general 64,140 64.140 24,793 24.793 Direct costs of special activity dinners 150,584 111,485 111,485 150,584 Total expenses 6.665.979 6.665.979 6.118.729 6.118.729 Increase (decrease) in net assets before other additions 630,696 (2,913)627,783 752,683 69,669 822,352 Other additions 224,769 8,110 232,879 235,614 Investment income (note 2) 225,363 10,251 Net realized and unrealized gain on investments 30,269 30,269 70,058 70,058 885,734 5,197 890,931 79,920 **Increase in net assets** 1,048,104 1,128,024 Net assets, beginning of year 5,187,924 341,837 5,529,761 4,139,820 261,917 4,401,737

347,034

\$ 6,420,692

\$ 5,187,924

341,837

\$ 6,073,658

See notes to financial statements.

Net assets, end of year

\$ 5,529,761

Statement of Functional Expenses Year Ended August 31, 2008

Supporting

	Program Services					Services						
	Education	<u>Presenta</u>	<u>ations</u>	S	eminars_	<u>M</u>	<u>embership</u>		Total	nagement and General	2008 <u>Total</u>	2007 <u>Total</u>
Staff payroll and benefits	\$ 668,602	\$ 272	2,535	\$	382,092	\$	1,253,334	\$	2,576,563	\$ 37,217	\$ 2,613,780	\$ 2,400,666
Temporary help	-		-		-		-		-	-	_	12,297
Professional fees	612,176	266	5,095		21,065		117,390		1,016,726	245	1,016,971	962,512
Scholarships granted	25,000		-		-		5,000		30,000	-	30,000	19,000
Books and publications	376,564		-		2,649		14,369		393,582	-	393,582	298,031
Printed marketing materials	39,949	22	2,670		8,460		1,838		72,917	57	72,974	66,825
Printing and stationery	4,504		359		1,082		21,177		27,122	6,353	33,475	36,875
Office expenses	127,605	39	9,164		58,166		249,275		474,210	· -	474,210	363,197
Data processing	95,939	37	7,519		60,853		280,879		475,190	5,097	480,287	328,382
Delivery and mail handling	43,896	40	0,934		18,298		7,121		110,249	29	110,278	114,086
Catering	533	48	3,636		36,043		82,758		167,970	6,621	174,591	176,017
Promotional activities	-		_		´ -		19,046		19,046		19,046	21,591
Newsletter	17,968	14	4,513		19,955		33,949		86,385	-	86,385	227,727
Occupancy (note 6)	218,036		0,858		65,096		292,610		636,600	7,225	643,825	645,499
Rental expenses (note 6)	51,680		-		-		28,914		80,594	-	80,594	35,461
Equipment rentals	_		_		_		14,700		14,700	_	14,700	11,953
Depreciation and amortization	27,663	7	7,566		8,035		37,910		81,174	856	82,030	76,281
Bank and credit card	,				Ź		,		,		,	,
service charges	103,505	11	1,636		6,276		58,952		180,369	423	180,792	164,209
Miscellaneous	2,281		<u>-</u>		829		43,847	_	46,957	 17	46,974	7,536
Total	\$ 2,415,901	\$ 822	2,485	\$	688,899	\$	2,563,069	\$	6,490,354	\$ 64,140	\$ 6,554,494	\$ 5,968,145

See notes to financial statements.

Statement of Functional Expenses Year Ended August 31, 2007

	Program Services					Supporting <u>Services</u> Management and	2007
	Education	Presentations	Seminars	<u>Membership</u>	Total	<u>General</u>	Total
Staff payroll and benefits	\$ 589,035	\$ 317,555	\$ 398,564	\$1,090,594	\$2,395,748	\$ 4,918	\$2,400,666
Temporary help	11,297	1,000	-	-	12,297	-	12,297
Professional fees	554,391	283,239	22,312	102,570	962,512	-	962,512
Scholarships granted	14,000	-	-	5,000	19,000	-	19,000
Books and publications	273,148	-	3,553	21,330	298,031	-	298,031
Printed marketing materials	24,163	24,468	9,999	8,195	66,825	-	66,825
Printing and stationery	15,596	521	1,979	18,779	36,875	-	36,875
Office expenses	85,058	38,611	50,451	188,398	362,518	679	363,197
Data processing	68,013	36,243	47,447	176,679	328,382	-	328,382
Delivery and mail handling	32,236	48,750	22,156	10,944	114,086	-	114,086
Catering	943	56,227	44,164	63,232	164,566	11,451	176,017
Promotional activities	-	-	-	21,591	21,591	-	21,591
Newsletter	46,001	32,337	61,714	87,675	227,727	-	227,727
Occupancy (note 6)	224,051	77,155	71,157	269,028	641,391	4,108	645,499
Rental expenses (note 6)	25,500	-	-	9,961	35,461	-	35,461
Equipment rentals	-	-	-	11,953	11,953	-	11,953
Depreciation and amortization Bank and credit card	26,614	8,775	8,205	32,197	75,791	490	76,281
service charges	83,961	11,346	9,402	58,625	163,334	875	164,209
Miscellaneous	204	371	1,130	3,559	5,264	2,272	7,536
Total	\$2,074,211	\$ 936,598	\$ 752,233	\$2,180,310	\$5,943,352	\$ 24,793	\$5,968,145

Statements of Cash Flows

	Year Ended August 31		
	2008	2007	
Cash flows from operating activities	2000	2007	
Increase in net assets	\$ 890,931	\$1,128,024	
Adjustments to reconcile increase in net assets	ψ 0,0,001	Ψ1,120,021	
to net cash provided by operating activities			
Depreciation and amortization	82,030	76,281	
Loss on disposal of furniture, fixtures, equipment	-	3,989	
Net realized and unrealized (gain) on investments	(30,269)	(70,058)	
Amortization of premium on U.S. Treasury securities	23,158	61,752	
(Increase) in current assets	,	,	
Accounts receivable	(143,622)	(1,083)	
Prepaid expenses and other assets	(133,991)	(24,946)	
Increase (decrease) in current liabilities		, , ,	
Accounts payable	(24,184)	57,790	
Accrued expenses and taxes	128,319	(307,123)	
Unearned dues revenue	51,530	104,448	
Unearned revenue	74,717	2,082	
Change in rent abatement	(49,558)	(49,558)	
Net cash provided by operating activities	869,061	981,598	
Cash flows from investing activities			
Sale/maturity of investments	816,953	-	
Purchases of furniture, fixtures,			
equipment and leasehold improvements	(41,020)	(67,706)	
Amounts expended for leasehold improvements			
reimbursed from sub-landlord		515,280	
Net cash provided by investing activities	775,933	447,574	
Net increase in cash and cash equivalents	1,644,994	1,429,172	
Cash and cash equivalents, beginning of year	6,582,512	5,153,340	
Cash and cash equivalents, end of year	<u>\$8,227,506</u>	\$6,582,512	
Consists of:	¢0 027 110	¢6 202 125	
Current assets	\$8,027,119	\$6,382,125	
Restricted Total each and each agriculants	200,387 \$2,227,506	200,387 \$6,582,512	
Total cash and cash equivalents	<u>\$8,227,506</u>	<u>\$6,582,512</u>	

Notes to Financial Statements August 31, 2008 and August 31, 2007

Note 1 – Nature of organization

The New York Society of Security Analysts, Inc. (the "Society") is a not-for-profit, independent society whose mission is to serve the needs of all professionals involved in the investment decision-making process and to educate the investing public. The Society is involved in all professional aspects of interest to its members. The Society generates revenue from three primary sources: (1) membership dues; (2) educational seminars (the largest seminar producer of income is Chartered Financial Analysts classes); and (3) meetings and events whereby corporations pay a sponsorship fee

Note 2 – Summary of significant accounting policies

Net assets

Unrestricted

Operating Fund

Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in performing the primary objectives of the Society are considered unrestricted in nature.

Building Fund

The Society maintains a building fund to provide for the eventual replacement or improvement of the Society's facility. Any interest earned or unrealized gain or loss on the assets is credited to or deducted from the building fund balance. The Society transferred \$1,251,806 from the Insurance Recovery Fund to the Building Fund in the 2007 fiscal year to close out the Insurance Recovery Fund. In addition, the Society transferred \$400,000 in each of the 2008 and 2007 fiscal years, from the Operating Fund to the Building Fund (see note 12).

Initiatives Fund

During 2008, the Society's Board of Directors established a fund in the amount of \$300,000. The Board has determined that such funds shall be segregated and only be utilized for initiatives, to be pre-approved by the Board.

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 2 – Summary of significant accounting policies (continued)

Temporarily restricted

Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Society and/or the passages of time are considered temporarily restricted. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions.

Investment income

Investment income consists of interest income and is recorded to unrestricted net assets and temporarily restricted net assets.

Cash equivalents

The Society considers highly liquid investments with original maturities of 90 days or less to be cash equivalents. Included in cash equivalents are money market funds and a U.S. Governmental Securities Mutual Fund.

Furniture, fixtures, equipment and leasehold improvements

Furniture, fixtures, equipment and leasehold improvements are depreciated or amortized, respectively, on the straight-line method over the estimated useful lives of the assets ranging from three to seven years. During 2007, equipment with a cost basis of \$59,446 an accumulated depreciation of \$55,457 were removed from the books of the Society resulting in a loss on disposal of \$3,989.

Membership dues

Membership dues are recognized as income in the applicable membership period, which is from June 1st to May 31st each year. Consistent with past practice, it is the Society's policy to record the remainder of the anticipated members' annual dues as accounts receivable and unearned dues revenue as of August 31st each year.

Functional expenses

The cost of providing the various programs and other activities has been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited. In addition, certain items previously reported in the financial statements for the fiscal year ended August 31, 2007 have been reclassified for comparative purposes.

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 2 – 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 amounts reported in the financial statements. Actual results could differ from these estimates.

Concentrations of credit risk

The Society's financial instruments that are potentially exposed to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. The Society places its cash and cash equivalents with what it believes to be quality financial institutions. At times, the balances in the Society's cash and cash equivalents may be in excess of FDIC insurance limits. However, the Society has not experienced any losses with such accounts. The Society routinely assesses the financial strength of its cash and cash equivalents. Accounts receivable consists primarily of amounts due from a number of individuals and corporations for membership dues and Society conferences. As a consequence, concentrations of credit risk are limited.

Note 3 – Cash and cash equivalents

Cash and cash equivalents are comprised of the following as of August 31, 2008 and August 31, 2007:

					2008	}				
Operat: Fund		_		ilding und		larship und	In A	Value vesting rchive Fund	<u>T</u>	`otal
Cash on hand	\$	264	\$	-	\$	-	\$	-	\$	264
Checking	5	91,138		-		-		96,866	6	88,004
Money market account U.S. Govt. Securities		41,942		-		-		-		41,942
Mutual fund	7	57,010		-		-		-	7	57,010
Money market fund Certificate of	1,1	69,030	5,12	25,175	23	9,068		-	6,5	33,273
deposit Total	\$2,5	6,626 666,010	\$5,12	<u>-</u> 25,175	\$ 23	<u>-</u> 9,068	\$	96,866	\$8,0	6,626 27,119

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 3 – Cash and cash equivalents (continued)

			2007		
	Operating Fund	Building Fund	g Scholarsl Fund	Value Investing hip Archive Fund	Total
Cash on hand	\$ 300	\$ -	\$ -	- \$ -	\$ 300
Checking	165,843	-	-	- 103,939	269,782
Money market					
account	17,992	-	•		17,992
U.S. Govt. Securities					
Mutual fund	1,086,524	-	•		1,086,524
Money market					
fund	652,069	4,121,570	<u>233,88</u>	<u> </u>	5,007,527
Total	\$1,922,728	\$4,121,57	<u>\$ 233,88</u>	\$ 103,939	\$6,382,125

Note 4 – Investments

The following is a summary of the investments as of August 31, 2007:

	20	2007				
	Cost	Market				
Building Fund						
U.S. Treasury Notes	\$ 653,163	\$ 809,842				
Total	\$ 653,163	\$ 809,842				

Note 5 – Furniture, fixtures, equipment and leasehold improvements

The following is a summary of the furniture, fixtures, equipment and leasehold improvements as of August 31, 2008 and August 31, 2007:

	2008	2007
Furniture, fixtures and equipment	\$ 287,016	\$ 251,646
Leasehold improvements	142,094	137,094
Patents and trademarks	650	<u>-</u>
Sub-Total	429,760	388,740
Less: accumulated depreciation and amortization	211,872	129,842
Total furniture, fixtures, equipment and leasehold improvements	\$ 217,888	\$ 258,898

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 6 – Rental lease agreements

During August 2005, the Society entered into an agreement to sublease office and conference space, commencing in December 2005 and expiring on December 30, 2009. The sublease requires monthly lease payments of \$50,097 plus the Society's proportionate share of certain operating expenses of the sub-landlord as defined in the sublease agreement. Rent expense totaled \$619,078 and \$620,011 for the 2008 and 2007 fiscal years, respectively. The future minimum sublease payments would be as follows:

Fiscal Year		
2009		\$ 601,160
2010		 198,771
	Total	\$ 799,931

As part of the lease agreement, the Society received four months of free rent. The Society amortizes rent expense each year equally over the term of the lease. The difference between rent expense recorded in this manner and the actual cash paid per the lease agreement represents deferred lease liability.

In connection with the above sublease, the Society delivered to the sub-landlord a letter of credit in the amount of \$200,387 as security for the sublease agreement. In connection with the letter of credit, the Society established a separate bank account in the amount of the letter of credit, as required by the lease.

In addition to the rental of office space, the Society rents space on an as needed basis for its educational programs. Rental expense for the years ended August 31, 2008 and August 31, 2007 totaled \$66,380 and \$31,961, respectively.

Note 7 – Temporarily restricted net assets

In 1996, the Society established the Heloise S. Ham Educational Scholarship Fund (the "Fund") from a pledge received from the family of Heloise S. Ham to endow a scholarship program and recorded it as temporarily restricted. On an ongoing basis, the Fund is funded by contributions from the family of Heloise S. Ham and income from the Fund assets and Society members. The scholarships are available to undergraduate students who are enrolled full-time in a college or university in the greater New York area and who have completed at least their sophomore year by the time the program begins in the summer.

They must also demonstrate academic excellence and have an interest in the securities profession. Because these funds can only be used for scholarship purposes, the assets of the fund are considered temporarily restricted.

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 7 – Temporarily restricted net assets (continued)

During 2008, the Society received additional funds of \$1,000 towards maintenance of an archive to benefit value-investing research. The fund is recorded as temporarily restricted.

The following is a summary of the activity of the temporarily restricted net assets for the year ended August 31, 2008:

	Balance, Beginning of Year	<u>Additions</u>	Net Assets Released	Balance, End of Year
Scholarship fund	\$ 237,898	\$ 37,420	\$ (25,150)	\$ 250,168
Value investing archive	<u> </u>	1,000	(8,073)	96,866
Total	\$ 341,837	\$ 38,420	<u>\$ (33,223)</u>	\$ 347,034

Note 8 – Retirement plan

The Society maintains a defined contribution plan (the "Plan") pursuant to Internal Revenue Code Section 403(b), for all eligible employees who have completed ½-year of service. Employees vest in the Plan 20% each year over five years, beginning in year two. During the 2008 and 2007 fiscal years, the Society contributed 5% of each employee's base wages to the Plan. Contributions to the Plan are determined annually by the Society's Board of Directors. The plan expense amounted to \$89,010 and \$80,403 for the years ended August 31, 2008 and August 31, 2007, respectively.

The Internal Revenue Service has instituted new regulations for all 403(b) plans, to be effective January 1, 2009. In order to comply with such new regulations, the Society will either have to amend its current Plan or terminate the Plan in favor of a new 401(k) plan. The Society has not yet determined the best course of action and is currently evaluating several alternative proposals. Regardless of which proposal is chosen, the Society is confident that it will be able to continue to have a defined contribution plan in effect for its eligible employees, with little or no disruption in benefits. In addition, the Society does not anticipate that the additional cost of either amending the existing Plan or implementing a new 401(k) plan will be material.

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 9 – Net assets released from restrictions

Net assets were released from donor restrictions by incurring expenses that satisfied the restricted purposes specified by donors as follows for the years ended August 31, 2008 and August 31, 2007:

	 2008	 2007
Purpose restriction accomplished:		
Scholarships	\$ 25,000	\$ 14,000
Bank service charges	150	150
Value investing archive	 8,073	 20,161
Total	\$ 33,223	\$ 34,311

Note 10 – Legal claims

As of August 31, 2008, management was not aware of any legal claims against the Society. While claims may arise from time to time in the ordinary course of business, such claims would not in the opinion of management have a material effect on the Society's financial statements.

Note 11 – Tax status

The Society is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). 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)(2) of the Code.

Notes to Financial Statements (continued) August 31, 2008 and August 31, 2007

Note 12 – Unrestricted net assets

The following is a summary of the activity of the unrestricted operating and board designated – Building Fund and New Initiatives Fund for the years ended August 31, 2008 and August 31, 2007:

	Unrestricted				
		Board-	Designated		
	Operating Fund	Building Fund	New Initiatives Fund	Total	
Balance, at August 31, 2006	\$ 1,021,624	<u>\$ 3,118,196</u>	\$ -	\$ 4,139,820	
Revenue					
Investment income	129,485	95,878	-	225,363	
Other revenue	6,871,412	-	-	6,871,412	
Net realized and unrealized					
gain on investments		70,058		70,058	
Total revenue	7,000,897	165,936	-	7,166,833	
Less: Expenses	6,118,729			6,118,729	
Increase before interfund transfers	882,168	165,936	-	1,048,104	
Interfund transfer to close out					
Insurance Recovery Fund	(1,251,806)	1,251,806	-	-	
Interfund transfer	(400,000)	400,000			
Increase (decrease) in net assets	<u>(769,638</u>)	1,817,742		1,048,104	
Balance, at August 31, 2007	251,986	4,935,938	<u>-</u> _	5,187,924	
Revenue					
Investment income	65,801	158,968	-	224,769	
Other revenue	6,996,675	-	300,000	7,296,675	
Net realized and unrealized					
gain on investments		30,269		30,269	
Total revenue	7,062,476	189,237	300,000	7,551,713	
Less: Expenses	6,665,979			6,665,979	
Increase before interfund transfer	396,497	189,237	300,000	885,734	
Interfund transfer	(400,000)	400,000			
Increase (decrease) in net assets	(3,503)	589,237	300,000	885,734	
Balance, at August 31, 2008	<u>\$ 248,483</u>	\$ 5,525,175	<u>\$ 300,000</u>	<u>\$ 6,073,658</u>	