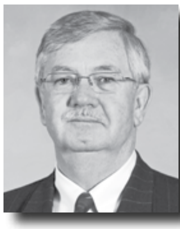
# 2009
# Annual Report


Tax Executives Institute, Inc.

# Institute Officers

**PRESIDENT**
**Neil D. Traubenberg** [E]
Vice President, Corporate Tax
Sun Microsystems, Inc.

**SENIOR VICE PRESIDENT**
**Paul O'Connor** [E]
Vice President, Taxes
Millipore Corporation



**SECRETARY**
**David M. Penney** [E]
Gen. Director Taxes
General Motors of Canada Limited

**TREASURER**
**Carita R. Twinem** [E]
Treasurer & Director of Taxes
Briggs & Stratton Corporation

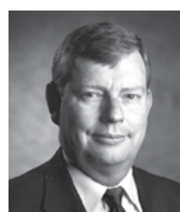
**VICE PRESIDENT - REGION I**
(Calgary, Montreal, Toronto, Vancouver)
**Sherrie Ann Pollock**
Head, Taxation
RBC Dexia Investor Services

**VICE PRESIDENT - REGION VI**
(Austin, Dallas, Fort Worth, Houston, New Orleans, Oklahoma)
**Patricia Diana Yost**
National Tax Director
Whole Foods Market, Inc.

**VICE PRESIDENT - REGION II**
(Buffalo-Niagara, New Jersey, New York, Rochester, Syracuse)
**Paul Heller** [E]
Director, Bank Tax Withholding and Reporting
Royal Bank of Canada

**VICE PRESIDENT - REGION VII**
(Atlanta, Baltimore-Washington, Carolinas, Florida, Kentucky, Nashville, Virginia)
**Lynn B. Jordan** [E]
Tax Director
Performance Food Group Company

**VICE PRESIDENT - REGION III**
(Connecticut Valley, New England, Westchester-Fairfield)
**John A. Conley**
Counsel, Corporate Tax
Citigroup, Inc.



**VICE PRESIDENT - REGION VIII**
(Arizona, Denver, Hawaii, Los Angeles, Orange County, Portland, Salt Lake City, San Diego, San Francisco, Santa Clara Valley, Seattle)
**David E. Stevens**
Vice President Taxes
Movie Gallery

**VICE PRESIDENT - REGION IV**
(Cincinnati, Cleveland, Detroit, Harrisburg, Indiana, Philadelphia, Pittsburgh, Western Michigan)
**Gary W. Doner**
Tax Director
Libbey Inc.

**VICE PRESIDENT - REGION IX**
(Asia, EMEA)
**Peter H. Taylor**
Area Tax Manager
Du Pont de Nemours International

**VICE PRESIDENT - REGION V**
(Chicago, Iowa, Kansas City, Minnesota, Nebraska, Northeast Wisconsin, St. Louis, Wisconsin)
**Paul J. Westman**
Director of Taxation - Americas
GKN America Corp.

[E] Executive Committee Member. The Executive Committee consists of the Institute's four senior officers and seven other members of the Board of Directors appointed by the President.

# Audited Consolidating Financial Statements

## TAX EXECUTIVES INSTITUTE, INC. AND TEI EDUCATION FUND

### June 30, 2009



# Independent Auditor's Report

To the Board of Directors
Tax Executives Institute, Inc. and
TEI Education Fund

We have audited the accompanying consolidating statements of financial position of Tax Executives Institute, Inc. and TEI Education Fund (collectively, the Organization) as of June 30, 2009 and 2008, and the related consolidating statements of activities and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating 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 consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating 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 consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Tax Executives Institute, Inc. and TEI Education Fund as of June 30, 2009 and 2008, and the changes in their net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Tate & Tryon

Washington, DC
July 21, 2009

## Consolidating Statements of Financial Position
## Years Ended June 30, 2009 and 2008

See notes to the consolidating financial statements.

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **TEI** | **TEIF** | **Total** | **TEI** | **TEIF** | **Total** |
| **Assets** | | | | | | |
| Cash and cash equivalents - Note B | **$ 411,877** | **$ 112,496** | **$ 524,373** | $ 574,458 | $ 115,439 | $ 689,897 |
| Short-term investments - Notes B, C, & D | **7,884,672** | | **7,884,672** | 10,728,624 | | 10,728,624 |
| Accounts receivable | **90,712** | | **90,712** | 48,595 | | 48,595 |
| Due (to) from affiliate | **(3,897)** | **3,897** | **-** | | | - |
| Prepaid expenses | **429,472** | | **429,472** | 92,468 | | 92,468 |
| Long-term investments - Notes B, C, & D | **3,504,675** | | **3,504,675** | 1,820,982 | | 1,820,982 |
| Investments held for deferred compensation - Notes C & E | **39,124** | | **39,124** | 55,838 | | 55,838 |
| Property and equipment - Note F | **148,639** | | **148,639** | 204,325 | 656 | 204,981 |
| **Total assets** | **$ 12,505,274** | **$ 116,393** | **$ 12,621,667** | $ 13,525,290 | $ 116,095 | $ 13,641,385 |
| **Liabilities and net assets** | | | | | | |
| Accounts payable | **106,816** | **-** | **106,816** | 14,538 | - | 14,538 |
| Accrued liabilities | **142,485** | | **142,485** | 53,865 | | 53,865 |
| Due to brokers for securities purchased | **974,665** | | **974,665** | 2,057,566 | | 2,057,566 |
| Deferred revenue - Note G | **2,722,204** | | **2,722,204** | 3,199,178 | | 3,199,178 |
| Deferred rent - Note J | **177,045** | | **177,045** | 102,634 | | 102,634 |
| Deferred compensation - Note E | **39,124** | | **39,124** | 55,838 | | 55,838 |
| Total liabilities | **4,162,339** | **-** | **4,162,339** | 5,483,619 | - | 5,483,619 |
| Commitment and contingency - Note J | | | **-** | | | - |
| Net assets - unrestricted | **8,342,935** | **116,393** | **8,459,328** | 8,041,671 | 116,095 | 8,157,766 |
| Total net assets | **8,342,935** | **116,393** | **8,459,328** | 8,041,671 | 116,095 | 8,157,766 |
| **Total liabilities and net assets** | **$ 12,505,274** | **$ 116,393** | **$ 12,621,667** | $ 13,525,290 | $ 116,095 | $ 13,641,385 |

## Consolidating Statements of Activities
## Years Ended June 30, 2009 and 2008

See notes to the consolidating financial statements.

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **TEI** | **TEIF** | **Total** | **TEI** | **TEIF** | **Total** |
| **Revenue** | | | | | | |
| Sponsorships | **$ 1,810,850** | **$ -** | **$ 1,810,850** | $ 2,048,000 | $ - | $ 2,048,000 |
| Continuing education | **1,565,810** | | **1,565,810** | 1,821,665 | | 1,821,665 |
| Membership dues | **1,403,514** | | **1,403,514** | 1,387,568 | | 1,387,568 |
| Royalty | **606,025** | | **606,025** | 493,000 | | 493,000 |
| Investment income - Note D | **277,583** | **46** | **277,629** | 429,700 | 37 | 429,737 |
| Publications | **407,337** | | **407,337** | 422,137 | | 422,137 |
| Initiation Fees | **107,800** | | **107,800** | 144,000 | | 144,000 |
| Other | **7,618** | | **7,618** | 24,437 | | 24,437 |
| Management Fees - Note H | **(8,726)** | **8,726** | **-** | (11,965) | 11,965 | - |
| **Total revenue** | **6,177,811** | **8,772** | **6,186,583** | 6,758,542 | 12,002 | 6,770,544 |
| **Expense** | | | | | | |
| Program Services | | | | | | |
| Continuing education | **1,979,956** | **6,887** | **1,986,843** | 1,954,500 | 8,462 | 1,962,962 |
| Committee and liaison | **582,657** | | **582,657** | 848,275 | | 848,275 |
| Publications | **454,692** | | **454,692** | 476,928 | | 476,928 |
| Membership services and development | **435,962** | | **435,962** | 306,794 | | 306,794 |
| Dues transferred to chapters | **206,220** | | **206,220** | 210,315 | | 210,315 |
| Total program services | **3,659,487** | **6,887** | **3,666,374** | 3,796,812 | 8,462 | 3,805,274 |
| Supporting services | | | | | | |
| General and administrative | **2,206,123** | **1,587** | **2,207,710** | 1,998,501 | 1,294 | 1,999,795 |
| Total expense | **5,865,610** | **8,474** | **5,874,084** | 5,795,313 | 9,756 | 5,805,069 |
| Change in net assets before special project expense | **312,201** | **298** | **312,499** | 963,229 | 2,246 | 965,475 |
| Special project expense | **(10,937)** | | **(10,937)** | (42,801) | | (42,801) |
| **Change in net assets** | **301,264** | **298** | **301,562** | 920,428 | 2,246 | 922,674 |
| Net assets, beginning of year | **8,041,671** | **116,095** | **8,157,766** | 7,121,243 | 113,849 | 7,235,092 |
| **Net assets, end of year** | **$ 8,342,935** | **$ 116,393** | **$ 8,459,328** | $ 8,041,671 | $ 116,095 | $ 8,157,766 |

# Consolidating Statements of Cash Flows
# Years Ended June 30, 2009 and 2008

See notes to the consolidating financial statements.

| | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **TEI** | **TEIF** | **Total** | **TEI** | **TEIF** | **Total** |
| **Cash flows from operating activities** | | | | | | |
| Change in net assets | $ 301,264 | $ 298 | $ 301,562 | $ 920,428 | $ 2,246 | $ 922,674 |
| Adjustments to reconcile change in net assets to net cash (used in) provided by operating activites | | | | | | |
| Depreciation and amortization | 74,345 | 656 | 75,001 | 98,915 | 492 | 99,407 |
| Loss on disposal of property and equipment | 2,846 | | 2,846 | 50 | | 50 |
| Net loss (gain) on investments | 37,726 | | 37,726 | (15,622) | | (15,622) |
| Changes in assets and liabilities: | | | | | | |
| Accounts receivable | (42,117) | | (42,117) | 94,856 | | 94,856 |
| Due (to) from affiliate | 3,897 | (3,897) | - | (15,048) | 15,048 | - |
| Prepaid expenses | (337,004) | | (337,004) | 10,152 | | 10,152 |
| Security deposit | | | | 14,306 | | 14,306 |
| Accounts payable | 92,278 | | 92,278 | (306,535) | (15,000) | (321,535) |
| Accrued liabilities | 88,620 | | 88,620 | (578) | | (578) |
| Deferred revenue | (476,974) | | (476,974) | (131,612) | | (131,612) |
| Deferred rent | 74,411 | | 74,411 | 102,634 | | 102,634 |
| **Total adjustments** | (481,972) | (3,241) | (485,213) | (148,482) | 540 | (147,942) |
| Net cash (used in) provided by operating activities | (180,708) | (2,943) | (183,651) | 771,946 | 2,786 | 774,732 |
| **Cash flows from investing activities** | | | | | | |
| Proceeds from sale and maturity of investments | 5,144,720 | | 5,144,720 | 8,407,090 | | 8,407,090 |
| Purchases of investments | (5,105,088) | | (5,105,088) | (9,487,237) | | (9,487,237) |
| Purchases of property and equipment | (21,505) | | (21,505) | (159,523) | | (159,523) |
| Net cash provided by (used in) investing activities | 18,127 | - | 18,127 | (1,239,670) | - | (1,239,670) |
| **Net (decrease) increase in cash and cash equivalents** | (162,581) | (2,943) | (165,524) | (467,724) | 2,786 | (464,938) |
| Cash and cash equivalents, beginning of year | 574,458 | 115,439 | 689,897 | 1,042,182 | 112,653 | 1,154,835 |
| **Cash and cash equivalents, end of year** | $ 411,877 | $ 112,496 | $ 524,373 | $ 574,458 | $ 115,439 | $ 689,897 |
| **Supplemental Disclosure of Cash Flow Information** | | | | | | |
| Cash paid during the year for income taxes | $ 15,223 | $ - | $ 15,223 | $ 46,733 | $ - | $ 46,733 |

## A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Organization:** *Tax Executives Institute, Inc.* (TEI), incorporated in 1944 in New York, is a professional organization for corporate and business employees who are responsible for the tax affairs of their employers in an executive, managerial, or administrative capacity. TEI is exempt from the payment of income taxes on its exempt activities under Section 501(c)(6) of the Internal Revenue Code. However, TEI is subject to tax on its unrelated business activities such as advertising.

*TEI Education Fund* (TEIF) was formed in 1987 to sponsor or co-sponsor continuing education programs and otherwise to further TEI's educational objectives. TEIF is exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code, and has been classified by the Internal Revenue Service as other than a private foundation within the meaning of Section 509(a)(1) of the Internal Revenue Code.

**Principles of consolidation:** The consolidating financial statements include the accounts of TEI and its affiliate, TEIF (collectively referred to as the Organization). Significant inter-organization accounts and transactions have been eliminated in consolidation.

**Basis of accounting:** The Organization prepares its financial statements on the accrual basis of accounting. Revenue is recognized when earned and expense when the obligation is incurred.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from estimates.

**Cash and cash equivalents:** For financial statement purposes, cash and cash equivalents consists of demand deposits and money market accounts other than those held within the investment portfolio. Money market accounts held in the investment portfolio are classified as investments for financial statement purposes.

**Accounts receivable:** Accounts receivable consists primarily of amounts owed from customers for advertising and accrued interest receivable. Accounts receivable are presented at the amount due to the Organization. The Organization's management periodically reviews the status of all accounts receivable balances for collectibility. Each receivable balance is assessed based on management's knowledge of the customer, the Organization's relationship with the customer, and the age of the receivable balance. As a result of these reviews, customer balances deemed to be uncollectible are charged directly to bad debt expense. Management believes that the use of the direct write-off method approximates the results that would be presented if an allowance for bad debts was recorded.

**Prepaid Expenses:** Prepaid expenses include progress payments for development of a new database which has not yet been placed in service. The database progress payments, amounting to $319,474 and $47,513 at June 30, 2009 and 2008, respectively, will be reclassified to property and equipment when the database is complete and has been placed in service.

**Net assets:** Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. TEI has established a reserve policy, the goal of which is to maintain minimum reserves equivalent to at least 50 percent of annual operating expenses. This goal has been exceeded and there are no current plans to increase the reserve except as a result of normal operations.

**Functional allocation of expenses:** The costs of providing various program and supporting service activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

**Special project expense:** Special project expense consists of certain expenses that are nonrecurring or relate to multi-year projects.

**Uncertainty in income taxes:** The Financial Accounting Standards Board (FASB) issued FASB Staff Position FIN 48-3 (FSP FIN 48-3), *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Entities*, which grants nonpublic organizations the option to defer the effective date of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. As permitted by FSP FIN 48-3, the Organization has elected to delay the implementation of FIN 48 until the year ended June 30, 2010. The Organization records a liability for income taxes when it believes that such an accrual is warranted based on current law or guidance from the appropriate taxing authorities.

**Subsequent events:** Subsequent events have been evaluated through July 21, 2009.

## B. CONCENTRATIONS

**Credit risk:** The Organization maintains demand deposit accounts with commercial banks and money market funds with financial institutions. At times, certain balances held within these accounts may not be fully guaranteed or insured by the U.S. federal government. The uninsured portion of these accounts is backed solely by the assets of the underlying institution. As such, the failure of an underlying institution could result in financial loss to the Organization.

**Market value risk:** The Organization also invests funds in a professionally managed portfolio. Such investments are exposed to market and credit risks. The Organization's investments may be subject to fluctuation in fair value. As a result, the investment balances reported in the accompanying financial statements may not be reflective of the portfolio's value during subsequent periods.

## C. FAIR VALUE MEASUREMENTS

The Organization has implemented Statement of Financial

Accounting Standards No. 157 (SFAS 157), *Fair Value Measurements*. SFAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 uses the following prioritized input levels to measure fair value. The input levels used for valuing investments are not necessarily an indication of risk.

Level 1 – Observable inputs that reflect quoted prices for identical assets or liabilities in active markets such as stock quotes;

Level 2 – Includes inputs other than level 1 that are directly or indirectly observable in the marketplace such as yield curves or other market data;

Level 3 – Unobservable inputs which reflect the reporting entity's assessment of the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk such as bid/ask spreads and liquidity discounts.

The following is a summary of input levels used to determine fair values, measured on a recurring basis, of the following assets at June 30, 2009:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Short-term investments (Note D) | $ 7,884,672 | $1,993,556 | $5,891,116 | $ - |
| Long-term investments (Note D) | $ 3,504,675 | | 3,504,675 | |
| Investments held for deferred compensation (Note E) | $ 39,124 | 39,124 | | |
| **TOTAL** | $11,428,471 | $2,032,680 | $9,395,791 | $ - |

## D. INVESTMENTS

**Short-term:** TEI's short-term investments in marketable securities are recorded at market value and consisted of the following, in liquidity order, at June 30,:

| | 2009 | 2008 |
|---|---|---|
| Money Market Funds | $ 1,993,556 | $ 7,911,551 |
| Certificates of Deposit | 3,657,709 | 1,591,573 |
| Government Securities | 1,683,407 | 200,500 |
| Auction-rate preferred Securities* | 550,000 | 1,025,000 |
| | **$ 7,884,672** | **$10,728,624** |

* During the year ended June 30, 2008, TEI purchased 33 shares of $25,000 par value auction-rate preferred securities and 2,000 shares of $100 par value auction-rate preferred securities. The value, liquidity, and related income of these securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the investments, auction failures, and changes in interest rates. During the year ended June 30, 2009, TEI redeemed $475,000 of auction-rate preferred securities. TEI held 22 shares of $25,000 par value auction-rate preferred securities at June 30, 2009, and management believes the remaining shares will also be redeemed at their carrying value.

**Long-term:** TEI's long-term investments in marketable securities are recorded at market value and consisted of the following, in liquidity order, at June 30,:

| | 2009 | 2008 |
|---|---|---|
| **TEI** | | |
| Certificates of Deposit | $ 2,202,969 | $ 767,995 |
| Government Securities | 1,301,706 | 1,052,987 |
| | **$ 3,504,675** | **$ 1,820,982** |

**Investment income**: Investment income consists of the following at June 30,:

| | 2009 | 2008 |
|---|---|---|
| **TEI** | | |
| Interest | $ 315,309 | $ 414,078 |
| Net (loss) gain on Investments | (37,726) | 15,622 |
| | 277,583 | 429,700 |
| **TEIF** | | |
| Interest | 46 | 37 |
| | **$ 277,629** | **$ 429,737** |

## E. RETIREMENT PLANS

**Deferred compensation plan:** TEI has a deferred compensation plan under Section 457(b) of the Internal Revenue Code, which covers a key employee. No contributions were made to the deferred compensation plan in the years ended June 30, 2009 and 2008, and management has determined that no future contributions will be made because of the establishment of the 401(k) Plan (see description below). However, participant balances will continue to accumulate earnings and losses. Deferred compensation liabilities amounted to $39,124 and $55,838 at June 30, 2009 and 2008, respectively.

**Money purchase plan:** TEI has a defined contribution money-purchase pension plan, which covers all eligible employees who meet age and length-of-service requirements. Under the plan, TEI's annual contribution amounts to 8 percent of each participant's compensation. Participants are fully vested after six years. TEI's contribution to the plan for the years ended June 30, 2009 and 2008, was $152,427 and $132,434, respectively.

**401(k) plan:** TEI has a defined contribution salary deferral and savings incentive plan, which covers all eligible employees who meet age and length of service requirements. Under the plan, TEI matches employee contributions as follows: 50 percent of the first 2 percent of compensation, and 25 percent of the next 4 percent of compensation up to the maximum contribution allowed by Internal Revenue Service limits. Participants are fully vested after five years. TEI's contribution to the plan for the years ended June 30, 2009 and 2008, was $32,436 and $28,074, respectively. TEI amended the plan effective July 1, 2009 to include automatic enrollment with an opt-out option.

## F. PROPERTY AND EQUIPMENT

Acquisitions of property and equipment greater than $1,000 are recorded at cost and depreciated or amortized using the straight-line basis over the following useful lives: furniture and office equipment – three to ten years; leasehold improvements – over the lesser of the remaining life of the office lease or the estimated useful life of the improvements. Consolidated property and equipment consisted of the following at June 30,:

| | 2009 | 2008 |
|---|---|---|
| **TEI** | | |
| Office furniture and equipment | $ 762,298 | $ 804,646 |
| Leasehold improvements | 76,856 | 76,856 |
| | 839,154 | 881,502 |
| Less accumulated depreciation and amortization | (690,515) | (676,521) |
| | **$ 148,639** | **$ 204,981** |

TEIF's office furniture and equipment cost of $2,460 and $7,359 is presented net of accumulated depreciation of $2,460 and $6,703, at June 30, 2009 and 2008, respectively.

## G. DEFERRED REVENUE

Revenue received in advance of the period in which it is earned is deferred to subsequent years. Deferred revenue consisted of the following at June 30,:

| | 2009 | 2008 |
|---|---|---|
| **TEI** | | |
| Membership Dues | $ 1,230,091 | $ 1,266,329 |
| Sponsorships | 898,000 | 1,297,000 |
| Seminars, schools, and conferences | 263,175 | 424,850 |
| Royalty | 305,000 | 200,000 |
| Advertising | 16,836 | - |
| Subscriptions | 9,102 | 10,999 |
| | **$ 2,722,204** | **$ 3,199,178** |

## H. MANAGEMENT FEES

TEI pays TEIF management fees pursuant to a written agreement under which TEI agreed to administer the continuing education courses sponsored by TEIF. Under the agreement, TEI paid TEIF a percentage of its net income from the sponsored courses totaling $8,726 and $11,965 for the years ended June 30, 2009 and 2008, respectively.

## I. CHAPTERS AND REGIONS

TEI has several chapters and regions located throughout the United States of America, Canada, Europe, and Asia. As stipulated in the Chapter Regulations, the activities of the chapters and regions are subject to 1) the policies adopted by TEI's board and 2) the general oversight of TEI's board. This oversight, however, does not constitute control in accordance with the AICPA's Statement of Position 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*. Thus, the chapters and regions are not included in the accompanying consolidated financial statements. Aggregate chapter and region cash balances approximate $1,500,000 annually.

## J. COMMITMENT AND CONTINGENCY

**Office lease:** TEI leases office space under a non-cancelable operating lease that expires February 2018. The lease contains annual escalations of the monthly base rent. In accordance with generally accepted accounting principles, the difference between cash payments required under the terms of the lease and rent expense has been reported as deferred rent in the accompanying consolidating statement of financial position. Deferred rent will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The lease also contains a tenant improvement allowance which will also be amortized on a straight line basis over the term of the lease. Rent expense was approximately $474,000 and $427,000 for the years ended June 30, 2009 and 2008, respectively.

Future minimum lease payments are as follows:

| Year Ending June 30, | |
|---|---|
| 2010 | $ 403,000 |
| 2011 | 421,000 |
| 2012 | 439,900 |
| 2013 | 460,300 |
| 2014 | 482,200 |
| Thereafter | 1,958,000 |
| | **$ 4,164,400** |

**Employment agreement:** TEI has an employment agreement with its Executive Director, which expires December 2012. Under the terms of the agreement, should TEI terminate the agreement for any reason other than good cause, it would be obligated to pay the Executive Director's salary and benefits for the remaining period of the agreement.