



2009 Financial Statements

**As of and for the Year
Ended December 31, 2009
and Independent
Auditors' Report**

The Paley Center for Media

Financial Statements as of and for the
Year Ended December 31, 2009, and
Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees and Members of
The Paley Center for Media
New York, New York

We have audited the accompanying statement of financial position of The Paley Center for Media (the "Paley Center") as of December 31, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Paley Center'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 Paley Center'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, such financial statements present fairly, in all material respects, the financial position of the Paley Center as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

April 30, 2010

THE PALEY CENTER FOR MEDIA

STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2009

ASSETS:	
Cash and cash equivalents	\$ 499,198
Marketable securities	61,151
Prepaid expenses and other assets	448,847
Pledges and other receivables — net	17,610,086
Endowment held by William S. Paley Foundation, Inc.	40,797,813
Long term investments	13,291,480
Collection — net	452,916
Land	12,132,590
Building — net	17,602,071
Leasehold improvements — net	110,634
Furniture, fixtures, and equipment — net	<u>6,567,267</u>
 TOTAL	 <u>\$ 109,574,053</u>
LIABILITIES :	
Accounts payable and accrued expenses	\$ 1,320,807
Deferred revenue	<u>751,372</u>
 Total liabilities	 <u>2,072,179</u>
NET ASSETS:	
Unrestricted	36,668,192
Temporarily restricted	17,077,156
Permanently restricted	<u>53,756,526</u>
 Total net assets	 <u>107,501,874</u>
 TOTAL	 <u>\$ 109,574,053</u>

See notes to financial statements.

THE PALEY CENTER FOR MEDIA

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUES, GAINS, AND OTHER SUPPORT:				
Annual galas:				
Revenues	\$ 1,561,883	\$ -	\$ -	\$ 1,561,883
Direct costs of events	<u>481,044</u>	<u>-</u>	<u>-</u>	<u>481,044</u>
Net support from galas	1,080,839			1,080,839
Contributions	4,502,915	6,706,631	100,000	11,309,546
Fees	949,420	-	-	949,420
Investment income including unrealized gains and losses	134,835	-	2,233,620	2,368,455
Change in fair market value of endowment held by				
William S. Paley Foundation, Inc.	-	-	6,403,541	6,403,541
Change in value of split interest agreements		239,483	20,123	259,606
Other	398,459			398,459
Transfer of investment income to unrestricted assets				
Net assets released from restrictions:				
Satisfaction of program restrictions	3,867,179	(3,867,179)	-	-
Satisfaction of asset acquisition restrictions	2,842,099	(2,842,099)	-	-
Expiration of time restrictions	31,161	(31,161)	-	-
Transfer from endowment held by				
William S. Paley Foundation, Inc.	-	403,128	(403,128)	-
Distribution from endowment held by				
William S. Paley Foundation, Inc.	<u>2,100,000</u>	<u>-</u>	<u>(2,100,000)</u>	<u>-</u>
Total revenues, gains, and other support	<u>15,906,907</u>	<u>608,803</u>	<u>6,254,156</u>	<u>22,769,866</u>
OPERATING EXPENSES:				
Program services	13,288,532	-	-	13,288,532
Management and general	3,481,129	-	-	3,481,129
Fundraising	<u>2,347,757</u>	<u>-</u>	<u>-</u>	<u>2,347,757</u>
Total operating expenses	<u>19,117,418</u>	<u>-</u>	<u>-</u>	<u>19,117,418</u>
CHANGE IN NET ASSETS	(3,210,511)	608,803	6,254,156	3,652,448
NET ASSETS — Beginning of year	<u>39,878,703</u>	<u>16,468,353</u>	<u>47,502,370</u>	<u>103,849,426</u>
NET ASSETS — End of year	<u>\$ 36,668,192</u>	<u>\$ 17,077,156</u>	<u>\$ 53,756,526</u>	<u>\$ 107,501,874</u>

See notes to financial statements.

THE PALEY CENTER FOR MEDIA

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in net assets	\$ 3,652,448
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Increase in fair market value of endowment held by William S. Paley Foundation, Inc.	(6,403,541)
Realized and unrealized gains on long-term investments	(2,239,391)
Change in fair value of split interest agreements	(259,606)
Depreciation and amortization	3,048,806
Writeoff of fixed assets	197,428
Provision for doubtful accounts	3,809
Increase in prepaid expenses and other assets	(226,627)
Decrease in pledges and other receivables	779,310
Increase in accounts payable and accrued expenses, deferred revenue and other liabilities	<u>274,719</u>
Net cash used in operating activities	<u>(1,172,645)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(2,806,601)
Proceeds from sales of investments	3,332,471
Purchase of investments	<u>(4,016,067)</u>
Net cash used in investing activities	<u>(3,490,197)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Transfers and distributions from endowment held by William S. Paley Foundation, Inc.	<u>2,503,127</u>
Net cash provided by financing activities	<u>2,503,127</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,159,715)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>2,658,913</u>
CASH AND CASH EQUIVALENTS — End of year	<u>\$ 499,198</u>

See notes to financial statements.

THE PALEY CENTER FOR MEDIA

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. DESCRIPTION

The Paley Center for Media (the “Paley Center”), which opened to the public in 1976, seeks to acquire, preserve and make accessible to the general public, scholars and members of the television and radio industry, a representative collection for media programs, commercials, artifacts and related materials and to lead the discussion about the cultural, creative, and social significance of television, radio, and emerging platforms for the professional community and media-interested public. In September 1991, the Paley Center opened its facility in the William S. Paley Building at 25 West 52 Street, New York City (the “Building”), to the public. In March 1996, the Paley Center opened an additional facility to the public in the Leonard H. Goldenson Building at 465 North Beverly Drive, Beverly Hills, California (the “California Facility”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958-605, *Revenue Recognition*, (formerly Statement of Financial Accounting Standards (“SFAS”) No. 116, *Accounting for Contributions Received and Contributions Made*), contributions, including unconditional promises to give, are recognized as revenue in the period received.

Under the provisions of FASB ASC 958-205, *Presentation of Financial Statements*, (formerly SFAS No. 117, *Financial Statements of Not-For-Profit Organizations*), net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Paley Center and changes therein are classified and reported as follows:

Unrestricted Net Assets — These net assets are not subject to donor-imposed stipulations and may be expendable for any purpose in performing the primary objectives of the Paley Center. Donor-restricted contributions that are received and expensed in the same reporting period are considered unrestricted in the accompanying financial statements.

Temporarily Restricted Net Assets — These net assets are subject to donor-imposed stipulations that may or will be met either by actions of the Paley Center and/or the passage of time. 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.

Permanently Restricted Net Assets — These net assets are subject to donor-imposed stipulations that resources be maintained permanently while permitting the Paley Center to use or expend part or all of the income (or other economic benefits) derived from the donated assets.

Cash and Cash Equivalents — The Paley Center considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents. Under the provisions of FASB ASC 958-205, cash held temporarily by a custodian for investment purposes may be included as part of investments rather than as cash. At December 31, 2009, approximately \$195,000 of cash held temporarily by a custodian was included in investments.

Marketable Securities and Long-term Investments — Marketable securities and long-term investments are stated at fair value. Fair value is based on published market prices. The realized gains and losses are recorded when investments are redeemed or sold. Unrealized gains and losses represent

the change in fair value for the year ended December 31, 2009. Interest and dividend income is recorded when earned.

Contributions and Grants — Contributions are recognized as revenue when they are received or unconditionally pledged.

The Paley Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restrictions are accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction.

The Paley Center offers various membership levels that include invitations to certain events held throughout the membership period. The Paley Center reports the contribution portion of membership fees as unrestricted contributions, but defers the portion of membership fees that are considered an exchange transaction. The deferred exchange fees are amortized over the period that they are earned.

The Paley Center reports gifts of equipment and other long-lived assets as unrestricted support unless explicit donor restrictions specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify the donated assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Paley Center reports expirations of donor restrictions when the long-lived assets are placed in service. There were no contributions of equipment or other long-lived assets for the year ended December 31, 2009.

Endowment Held by the William S. Paley Foundation, Inc. — The William S. Paley Foundation, Inc. (the “Foundation”) holds and invests funds as an endowment for the financial support, expansion and promotion of the Paley Center. In accordance with FASB ASC 958-20, *Financially Interrelated Entities*, (formerly SFAS No. 136, *Transfer of Assets to a Not-For-Profit Organization or Charitable Trust That Raises or Holds Contributions for Others*), as a specified beneficiary, the Paley Center recognizes its rights to the assets held by the Foundation on the Statement of Financial Position.

Split Interest Agreements — The Paley Center is the beneficiary of split interest agreements related to certain charitable trusts under varying terms and conditions. The assets recorded by the Paley Center under these agreements are recorded at their fair market value. The discount rates and actuarial assumptions used in the present value calculation for future payments are the prevailing rates of interest for similar types of high quality, fixed income investments of similar duration. The 2009 discount rates utilized ranged from .17% to 4.22% and the remaining terms of the split interest agreements as of December 31, 2009, range from 8.4 years to 14.6 years. The fair value of investments of these charitable trusts is \$4,531,070 as of December 31, 2009, which is recorded as pledges and other receivables. The Paley Center received distributions of \$734,787 for the year ended December 31, 2009, and recorded \$239,483 as unrealized gain related to the change in the fair value of such investments.

Depreciation and Amortization — Depreciation and amortization of the Paley Center’s fixed assets, including furnishings, equipment and the Paley Center’s collection, is calculated using the straight-line method with useful lives ranging from 5 to 10 years for fixed assets and 10 to 30 years for the collection. The Building, substantially completed in July 1991, is being depreciated over 40 years. Leasehold improvements related to the California Facility were amortized over approximately 14 years (the remaining life of the lease at the opening of the facility, in March of 1996).

Impairment of Long-Lived Assets — The Paley Center accounts for impairment of long-lived assets in accordance with FASB ASC 360, *Property, Plant and Equipment*, (formerly SFAS 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*). The Paley Center evaluates long-lived assets for

impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted future net cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

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 have an effect on the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements — In June 2009, the FASB issued its final Statement of Financial Accounting Standards (“SFAS”) No. 168 — *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162*. SFAS No. 168 made the FASB Accounting Standards Codification (“the Codification”) the single source of U.S. GAAP used by nongovernmental entities in the preparation of financial statements, except for rules and interpretive releases of the Securities & Exchange Commission (“SEC”) under authority of federal securities laws, which are sources of authoritative accounting guidance for SEC registrants. The Codification is meant to simplify user access to all authoritative accounting guidance by reorganizing U.S. GAAP pronouncements into roughly 90 accounting topics within a consistent structure; its purpose is not to create new accounting and reporting guidance. The Codification supersedes all existing non-SEC accounting and reporting standards and was effective for the Paley Center beginning July 1, 2009. Following SFAS No. 168, the FASB will not issue new standards in the form of Statements, FASB Staff Positions, or Emerging Issues Task Force Abstracts; instead, it will issue Accounting Standards Updates. The FASB will not consider Accounting Standards Updates as authoritative in their own right; these updates will serve only to update the Codification, provide background information about the guidance and provide the bases for conclusions on the change(s) in the Codification. Adoption of the Codification does not have an impact on the Paley Center’s financial position or results of operations

In June 2006, the FASB issued FASB Interpretation (“FIN”) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* (“FIN 48”), now FASB ASC 740, *Income Taxes*, which clarifies the accounting for uncertainty in income tax positions (“tax positions”). FASB ASC 740 requires that the Paley Center recognize in its financial statements the impact of a tax position if that tax position is more likely than not of being sustained on audit, based on the technical merits of the tax position. The Paley Center has adopted ASC 740 as of January 1, 2009 and has determined there is no material impact on its financial statements.

3. PLEDGES AND OTHER RECEIVABLES — NET

Pledges and other receivables, net are due to be collected at December 31, 2009, as follows:

Within one year	\$ 9,655,292
In one to five years	4,238,477
In more than five years	<u>5,585,018</u>
	19,478,787
Present value discount	<u>(1,868,701)</u>
	<u>\$ 17,610,086</u>

Pledges and other receivables include \$4,298,450 due from the Foundation. The allowance for doubtful pledges and other receivables was \$7,184 as of December 31, 2009.

4. COLLECTION — NET

The Paley Center’s collection consists of programs, commercials, books, scripts, artifacts and other materials relating to television and radio and other media. The television and radio programs and commercials in the Paley Center’s collection have not been assigned a value in the financial statements because there is no clearly measurable basis for an amount to be recorded. The amounts shown in the financial statements for the collection include the payments made for acquiring and transferring television and radio programs and commercials to the Paley Center’s tape format and related materials including videotape, audiotape and books or, if donated, the estimated retail value of the material or services at the time of donation, net of accumulated depreciation.

5. PROPERTY, BUILDING, AND OTHER FIXED ASSETS

Property, building, and other fixed assets as of December 31, 2009, are as follows:

Collection (Note 4)	\$ 5,167,036
Land	12,132,590
Building	32,218,206
Leasehold improvements	12,837,037
Furniture, fixtures, and equipment	<u>14,257,117</u>
	76,611,986
Accumulated depreciation and amortization	<u>(39,746,508)</u>
	<u>\$ 36,865,478</u>

The Paley Center retired \$335,506 of fully depreciated fixed assets during 2009.

6. RISK AND UNCERTAINTIES

The Paley Center holds various investments in securities with various investment objectives. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, management of the Paley Center believes it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

7. ENDOWMENT HELD BY THE FOUNDATION

The Board of Directors of the Foundation (the “Board”) is authorized to distribute from time to time some portion or all of the principal of the endowment if the Board determines in their discretion that such principal distribution shall be necessary or advisable for some current purpose of the Paley Center. Since the inception of the endowment, the Board has not authorized any distribution of endowment principal. As a result, these funds, as well as all earnings and appreciation (depreciation) thereon, are included in permanently restricted net assets until such time that the Board determines otherwise. The Paley Center recognized an unrealized gain of \$6,403,541 during the year ended December 31, 2009, related to the change in fair value of the Foundation’s endowment. Distributions to the Paley Center are recorded as a reclassification between permanently restricted and temporarily restricted or unrestricted net assets. During the year ended December 31, 2009, distributions of \$2,100,000 were made from the Foundation’s endowment to unrestricted net assets and \$403,128 was transferred to temporarily restricted net assets.

The funds of the Endowment at December 31, 2009, consist of the following:

	Market Value
Cash and cash equivalents	\$ 1,158,337
Equities	9,520,768
Fixed income	<u>30,118,708</u>
	<u>\$40,797,813</u>

In addition to distributions from the endowment held for the Paley Center, the Foundation also provided \$2,051,819 to the Paley Center. Of this amount \$1,052,486 is included in unrestricted contributions and \$999,333 is included in temporarily restricted contributions in the statement of activities.

8. LONG-TERM INVESTMENTS

At December 31, 2009, long-term investments consisted of the following:

	Market Value
Cash and money market funds	\$ 194,598
U.S. equities	2,423,918
U.S. equity mutual funds	3,168,318
International equities	314,366
International equity mutual funds	3,354,275
U.S. government bond funds	<u>3,836,005</u>
	<u>\$ 13,291,480</u>

Long-term investments include \$12,958,714 of endowment funds at December 31, 2009. The contributed value of these funds amounted to \$14,061,925 at December 31, 2009, which is permanently restricted as to principal.

At December 31, 2009, \$6,258,754 of long-term investments was in an account at Wells Fargo Advisors, LLC which account is pledged as collateral in connection with a revolving credit facility (Note 11).

At December 31, 2009, investment income consisted of the following:

	Amount
Income on long-term investments	\$ 129,064
Unrealized gain/loss	<u>2,239,391</u>
	<u>\$ 2,368,455</u>

9. ENDOWMENT

The endowments consist of donor-restricted endowment funds and an endowment held by the Foundation. Net assets associated with endowments are classified as permanently restricted assets based on the existence of donor-imposed restrictions.

The Finance Committee of the Board of Trustees of the Paley Center is responsible for the long-term investments policies for donor-restricted endowment funds. The Board of Trustees has established a policy whereby 5% of average market value of donor restricted endowment funds is to be distributed each year to fund operations. However, no such distribution shall be made to the extent it would reduce the value below the endowed corpus. The Board of Directors of the Foundation is responsible for the investment policies of the endowment held by the Foundation.

The market value of assets associated with donor restricted endowment funds may fall below the level of the donor requirement to retain funds of perpetual duration. At December 31, 2009, these deficiencies totaled \$1,103,211.

	Restricted Assets
Endowment net assets — beginning of the year	<u>\$ 47,502,370</u>
Investment return:	
Investment income	126,664
Net appreciation (realized and unrealized)	<u>2,106,956</u>
Total investment return	<u>2,233,620</u>
Contributions	100,000
Transfer to temporarily restricted assets	(403,128)
Other changes:	
Change in value of split interest agreement	20,123
Change in fair market value of endowment held by Foundation	6,403,541
Distribution from endowment held by Foundation	<u>(2,100,000)</u>
Endowment net assets — end of the year	<u>\$ 53,756,526</u>

10. DEFERRED REVENUE

Deferred revenue consists primarily of license fees received in connection with the production of a television program being produced pursuant to an agreement with a national network. These fees will be recognized when the program is available for airing, in accordance with FASB ASC 605, *Revenue Recognition*, (formerly AICPA Statement of Position No. 00-2, *Accounting by Producers or Distributors of Film*).

Deferred revenue also includes the portion of membership fees that are considered an exchange transaction. These fees are deferred over the period of membership, typically one year.

11. CREDIT FACILITY

As of June 29, 2001, the Paley Center entered into an agreement with KBC Bank NV for a 364-day revolving credit facility in the aggregate principal amount of \$2,000,000, which amount was increased to \$3,000,000 in 2003. The facility was been extended annually and matured on June 21, 2009. There were no borrowings on this facility during 2009. There was a daily commitment fee of .3% on the unused portion of the commitment.

As of September 1 2009, the Paley Center entered into an agreement with Wachovia Bank, N.A. (“Wachovia”) for a revolving credit facility in the aggregate principal amount of \$3 million, which expires on September 1, 2010. This facility bears interest on any unpaid principal balance based on the London Inter-Bank Offering Rate (for one month U.S. dollar deposits) plus .5% (.73% at December 31, 2009). During 2009, there were no borrowings from the Wachovia revolving credit facility. There is a daily commitment fee of .25% on any unused portion of the commitment payable quarterly. The Paley Center paid \$16,402 in commitment fees for the year ended December 31, 2009.

The agreement with Wachovia contains certain covenants. As of December 31, 2009, the Paley Center is in compliance with all such covenants. The agreement requires that aggregate fair market value of collateral, as defined, shall exceed \$4,000,000. Certain long-term investments serve as collateral (Note 8).

12. TAX STATUS

The Internal Revenue Service (IRS) has ruled that the Paley Center qualifies as a Section 501(c)(3) organization, exempt from federal income tax under Section 501(a) of the IRC. The IRS has also determined that the Paley Center is a publicly supported organization under Sections 509(a)(1) and 170(b)(1)(A)(vi) of the Internal Revenue Code (IRC). Management is not aware of any course of action or series of events that have occurred that might adversely affect the Paley Center’s qualified status. The Paley Center is subject to unrelated business taxes under Section 511 of the IRC on income that is unrelated to its primary exempt purposes. For the year ended December 31, 2009, the Paley Center has no material tax liability for unrelated business income. The Paley Center has a net operating loss carryover of \$282,000 resulting from losses from unrelated business taxes; however, due to a history of losses, a full valuation allowance has been set up against this deferred asset.

13. PROFIT SHARING PLAN

Effective January 1, 1994, the Paley Center adopted a profit-sharing plan (the “Plan”) to provide retirement benefits for its employees. The Plan is a noncontributory, defined contribution plan available to all employees after one year with 1,000 hours of service. After three years of service in the Plan, an employee becomes 100% vested. Costs of the Plan are funded as incurred. Costs for 2009 amounted to \$230,821.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Paley Center follows the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, (formerly SFAS No. 157, *Fair Value Measurements*), for financial assets and liabilities, on January 1, 2008. The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities:

Level One — Valuations based on quoted prices in active markets for identical assets or liabilities that the Enterprise has the ability to access.

Level Two — Valuations based on one or more quoted prices in active markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level Three — Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

All of the Paley Center's long-term investments (Note 8), marketable securities, and the endowment held by the Foundation (Note 7) are valued based on level one inputs. At December 31, 2009, the fair market value of marketable securities is \$61,151.

15. IN-KIND INCOME

During the year ended December 31, 2009, the Paley Center received approximately \$530,893 of in-kind income. The in-kind income consisted primarily of business and professional services. These amounts have been recorded based upon the fair value of the services as reported to the Paley Center by the donors and are included in financial statements as unrestricted contributions.

16. COMMITMENTS AND CONTINGENCIES

The Paley Center has been named as a codefendant with its general contractor in a lawsuit arising from the construction of the Paley Center's New York Building. According to its agreement with the contractor, the Paley Center is indemnified against losses from such lawsuits. Therefore, in the opinion of management, the resolution of the lawsuit will not have a material adverse impact on the Paley Center's financial position.

On November 1, 1994, the Paley Center entered into a lease for the premises on which the California Facility has been constructed. The lease term was 15 years with options to extend until February 28, 2024. Rent expense related to this lease was \$575,850 for 2009. On July 30, 2008, the Paley Center entered into an amendment to the lease extending the term until February 28, 2024. Minimum lease payments under the Paley Center's operating lease are as follows:

2010	\$ 965,600
2011	999,396
2012	1,034,375
2013	1,070,578
2014	1,108,048
Thereafter	<u>13,185,856</u>
	<u>\$ 18,363,853</u>

17. SUBSEQUENT EVENTS

For the year ended December 31, 2009, the Paley Center adopted a new accounting standard for subsequent events, FASB ASC 855, *Subsequent Events*, (formerly SFAS No. 165, *Subsequent Events*). This standard modifies the names of the two types of subsequent events either as recognized subsequent events (previously referred to in practice as Type I subsequent events) or non-recognized subsequent events (previously referred to in practice as Type II subsequent events). In addition, this standard modifies the definition of subsequent events to refer to events or transactions that occur after the balance sheet date, but before the financial statements are available to be issued. The Paley Center evaluated subsequent events through April 30, 2010, the date these financial statements were available to be issued, for both conditions existing and not existing as of December 31, 2009 and concluded there were no subsequent events to recognize or disclose.

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