



ACS
Chemistry for Life™

2010

**Audited Financial
Statements
and
Management's
Statement of
Responsibility**

Management's Statement of Responsibility

February 24, 2011

The management of the American Chemical Society (ACS) is responsible for the preparation, integrity, and fair presentation of the consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and, as such, include amounts based on estimates and judgments by management.

The consolidated financial statements have been audited by the independent accounting firm PricewaterhouseCoopers LLP, which was given unrestricted access to all financial records and related data, including minutes of all meetings of the Board of Directors. Their report, which follows, expresses their opinion as to whether the consolidated financial statements, considered in their entirety, fairly present the Society's financial position, operating results, and cash flows in conformity with accounting principles generally accepted in the United States. Management believes that all representations made to the independent auditors during their audit were valid and appropriate.

The Society maintains a system of internal controls over financial reporting which is designed to provide reasonable assurance to the Society's management and the ACS Board of Directors that assets are safeguarded, transactions are executed in accordance with management's authorization, and accounting records support the preparation of reliable published financial statements. The Society's internal controls are maintained through the establishment and communication of accounting and financial policies and procedures and by the selection and training of qualified personnel. There are, however, inherent limitations in the effectiveness of any system of internal controls, including the possibility of human error and the circumvention of controls. Accordingly, even an effective internal control system can provide only reasonable assurance with respect to financial statement preparation. Furthermore, the effectiveness of an internal control system can change with circumstances.

The Audit Committee of the ACS Board of Directors has a charter in place that outlines the Committee's responsibilities, which include engaging the independent auditors, reviewing accounting, auditing, internal control, and financial reporting matters, and meeting with management and the independent auditors to ensure that each is carrying out their responsibilities. Recommendations made by the independent auditors are considered and appropriate action is taken with respect to these recommendations. The independent auditors have unrestricted access to the Audit Committee.

Madeleine Jacobs
Executive Director & CEO

Brian A. Bernstein
Treasurer & CFO

AMERICAN CHEMICAL SOCIETY
CONSOLIDATED FINANCIAL STATEMENTS
For the years ended December 31, 2010 and 2009
and Report Thereon

Report of Independent Auditors

To the Board of Directors of the
American Chemical Society:

In our opinion, the accompanying consolidated statements of financial position and the related consolidated statements of activities and of cash flows present fairly, in all material respects, the consolidated financial position of the American Chemical Society and its subsidiaries (the Society) at December 31, 2010 and 2009 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. These consolidated financial statements are the responsibility of the Society's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers up

February 24, 2011

American Chemical Society
Consolidated Statements of Financial Position
As of December 31
(in thousands)

	2010			2009
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 28,710	\$ 10,505	\$ 39,215	\$ 43,898
Accounts and Pledges Receivable, Net	70,306	-	70,306	60,013
Inventories	4,841	-	4,841	6,264
Interfund (Payable) Receivable	(15,986)	15,986	-	-
Collateral Received Under Securities Lending Agreement	37,332	25,770	63,102	33,315
Other	9,457	22	9,479	13,966
Total Current Assets	134,660	52,283	186,943	157,456
Non-Current Assets				
Buildings, Land, and Other Property, Net	104,030	-	104,030	105,534
Investments	425,137	472,012	897,149	844,429
Deferred Pension, Pledges Receivable and Other	3,483	-	3,483	2,584
Total Non-Current Assets	532,650	472,012	1,004,662	952,547
Total Assets	\$ 667,310	\$ 524,295	\$ 1,191,605	\$ 1,110,003
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts Payable	\$ 28,804	\$ 8	\$ 28,812	\$ 28,826
Accrued Expenses	39,422	7,792	47,214	45,556
Deferred Revenues	120,054	-	120,054	105,659
Current Portion of Long-Term Debt	715	-	715	4,420
Payable Under Securities Lending Agreement	37,332	25,770	63,102	33,315
Postretirement Benefits and Other	2,979	-	2,979	2,787
Total Current Liabilities	229,306	33,570	262,876	220,563
Non-Current Liabilities				
Deferred Revenues	151	-	151	733
Long-Term Debt	3,154	-	3,154	20,762
Postretirement Benefits and Other	179,310	2,788	182,098	180,268
Total Non-Current Liabilities	182,615	2,788	185,403	201,763
Total Liabilities	411,921	36,358	448,279	422,326
Net Assets				
Unrestricted	169,922	-	169,922	159,338
Temporarily Restricted	22,685	415,437	438,122	396,396
Permanently Restricted	62,782	72,500	135,282	131,943
Total Net Assets	255,389	487,937	743,326	687,677
Total Liabilities and Net Assets	\$ 667,310	\$ 524,295	\$ 1,191,605	\$ 1,110,003

See accompanying notes to the consolidated financial statements

American Chemical Society
Consolidated Statements of Activities
For The Years Ended December 31
(in thousands)

	2010			2009
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
Change in Unrestricted Net Assets - Operations				
Revenues				
Electronic Services	\$ 390,386	\$ -	\$ 390,386	\$ 375,742
Member Insurance Premiums, Refunds, and Fees	14,482	-	14,482	15,709
Printed Services	14,270	-	14,270	23,707
Dues	12,361	-	12,361	12,098
Registration Fees and Booth Sales	11,438	-	11,438	9,781
Advertising	8,824	-	8,824	8,977
Investment Income	10,015	60	10,075	12,153
Net Assets Released from Restriction	5,977	15,781	21,758	34,392
Other	6,641	-	6,641	6,981
Total Unrestricted Revenues	474,394	15,841	490,235	499,540
Expenses				
Program Expenses				
Information Services	345,707	-	345,707	347,918
Grants and Awards	3,117	14,029	17,146	28,822
Membership and Scientific Advancement	24,470	-	24,470	24,494
Member Insurance Program	14,582	-	14,582	15,270
Education	7,402	-	7,402	7,547
Other	4,773	-	4,773	5,166
Supporting Expenses				
Administrative	34,652	1,812	36,464	37,532
Member Promotion and Retention	3,430	-	3,430	3,230
Other	9,574	-	9,574	9,654
Total Expenses	447,707	15,841	463,548	479,633
Change in Unrestricted Net Assets from Operations Before Non-Operating Activity	26,687	-	26,687	19,907
Change in Unrestricted Net Assets - Non-Operating Activity				
Net Investment Gains	19,096	-	19,096	32,120
Change in Pension Funding Status	(35,199)	-	(35,199)	17,600
Change in Unrestricted Net Assets - Non-Operating Activity	(16,103)	-	(16,103)	49,720
Change in Unrestricted Net Assets	10,584	-	10,584	69,627
Change in Temporarily Restricted Net Assets				
Contributions	3,273	-	3,273	4,233
Net Investment Gains	2,017	45,058	47,075	74,869
Investment Income	2,382	10,798	13,180	14,607
Net Assets Released From Restriction	(5,977)	(15,781)	(21,758)	(34,392)
Adjustment of Pledges Receivable	-	-	-	(28)
Transfer of Net Assets	194	(238)	(44)	(15)
Change in Temporarily Restricted Net Assets	1,889	39,837	41,726	59,274
Change in Permanently Restricted Net Assets				
Contributions	143	-	143	35,914
Net Investment Gains	3,152	-	3,152	4,093
Transfer of Net Assets	44	-	44	-
Change in Permanently Restricted Net Assets	3,339	-	3,339	40,007
Change in Net Assets	15,812	39,837	55,649	168,908
Beginning Net Assets	239,577	448,100	687,677	518,769
Ending Net Assets	<u>\$ 255,389</u>	<u>\$ 487,937</u>	<u>\$ 743,326</u>	<u>\$ 687,677</u>

See accompanying notes to the consolidated financial statements

American Chemical Society
Consolidated Statements of Cash Flows
For the Years Ended December 31
(in thousands)

	2010			2009
	Additional Consolidating Information			
	ACS Programs	Petroleum Research Fund	Total	Total
Cash Flows From Operating Activities				
Change in Net Assets	\$ 15,812	\$ 39,837	\$ 55,649	\$ 168,908
Adjustments to Reconcile Change in Net Assets to Net Cash (Used In) Provided By Operating Activities:				
Net Investment (Gains)	(24,265)	(45,058)	(69,323)	(111,082)
Change in Pension Funding Status	35,199	-	35,199	(17,600)
Depreciation and Amortization	21,239	1	21,240	21,149
Loss on Debt Extinguishment	173	-	173	-
Contributed Securities and Building	-	-	-	(34,018)
Contributions Restricted for Long-Term Investment	(143)	-	(143)	(1,896)
Amortization of Prepaid Bond Costs	54	-	54	71
Net Loss on Property Dispositions	1,064	-	1,064	798
Changes in Operating Assets and Liabilities:				
(Increases) Decreases in Assets:				
Accounts and Pledges Receivable	(10,293)	-	(10,293)	2,145
Inventories	1,423	-	1,423	1,635
Interfund Receivable (Payable)	6,322	(6,322)	-	-
Other Assets	4,309	(1)	4,308	(1,950)
(Decreases) Increases in Liabilities:				
Accounts Payable	(10)	(4)	(14)	1,645
Accrued Expenses	1,716	(3,776)	(2,060)	2,000
Deferred Revenues	13,813	-	13,813	7,072
Other Liabilities	(28,120)	598	(27,522)	(13,240)
Net Cash Provided by (Used in) Operating Activities	38,293	(14,725)	23,568	25,637
Cash Flows From Investing Activities				
Purchases of Investments	(101,677)	(3,928,077)	(4,029,754)	(5,740,410)
Sales and Maturities of Investments	100,752	3,942,812	4,043,564	5,748,951
Acquisitions of Buildings, Land, and Other Property	(20,664)	-	(20,664)	(18,252)
Proceeds from Property Dispositions	-	-	-	9
Net Cash (Used in) Provided by Investing Activities	(21,589)	14,735	(6,854)	(9,702)
Cash Flows From Financing Activities				
Payments on Debt	(21,540)	-	(21,540)	(4,205)
Contributions Restricted for Long-Term Investment	143	-	143	1,896
Net Cash (Used in) Financing Activities	(21,397)	-	(21,397)	(2,309)
Net (Decrease) Increase in Cash and Cash Equivalents	(4,693)	10	(4,683)	13,626
Beginning Cash and Cash Equivalents	33,403	10,495	43,898	30,272
Ending Cash and Cash Equivalents	\$ 28,710	\$ 10,505	\$ 39,215	\$ 43,898

See accompanying notes to the consolidated financial statements

**AMERICAN CHEMICAL SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009**

1. ORGANIZATION AND PURPOSE

The American Chemical Society (the Society) was founded in 1876. It is a U.S. not-for-profit corporation whose national charter was approved by the U.S. Congress on August 25, 1937. The Society's consolidated financial statements include the operations of two wholly owned for-profit subsidiaries and an insurance trust. The Society was organized for the purposes of encouraging the advancement of chemistry; promoting research in chemical science; increasing and diffusing chemical knowledge; and promoting scientific interests and inquiry through its meetings, reports, papers, and publications. The Society has more than 163,000 members.

The Society is generally exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and accomplishes its exempt purpose through a number of programs. These programs include membership and educational activities such as continuing education programs; national and regional meetings, which provide forums for sharing scientific information; and support for the Society's membership in areas such as employment services and public outreach. In addition, the Society provides expert testimony at the federal, state, and local government levels on topics relevant to the chemistry enterprise. The Society also provides a significant service to its members and the chemistry enterprise in the form of scientific journals and databases pertaining to chemical and related scientific information that is available in electronic and print formats.

The principal sources of funding for the Society's activities include net revenues generated by the Publications Division and the Chemical Abstracts Service (CAS) Division. The Publications Division publishes a wide range of peer-reviewed scientific journals, periodicals, and books. CAS analyzes, abstracts, and indexes the world's disclosed chemistry-related research literature from more than 10,000 journals plus chemistry-related patents from 61 international patent offices. CAS provides access to fully integrated patent and chemical literature and substance databases through powerful search, retrieval, and analysis products and services, reference materials, and individual search assistance. Other sources of the Society's revenues include member dues, insurance premiums, registration fees, investment income, and contributions from individuals and institutions to support Society Programs. Products and services are sold domestically and in overseas markets, principally to Europe and Asia. The Society's diverse clientele is composed of its members and other chemistry-related practitioners, chemical and other industrial corporations, academic institutions, and government agencies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Presentation

The accompanying consolidated financial statements include the accounts of the American Chemical Society and its related entities, which consist of Science Information International, Ltd., a wholly owned international marketing services subsidiary; and Hampden Data Services, Ltd., a wholly owned chemical information software company. The consolidated financial statements also include the accounts of the American Chemical Society Petroleum Research Fund, an endowment fund established to advance scientific education and research in the petroleum field, and the American Chemical Society Insurance Trust, a grantor trust established to enable members of the Society to purchase insurance coverage through group insurance policies. All significant interorganizational transactions have been eliminated. The accounts of the Society's chapters, referred to as local sections and divisions, are not included in the Society's consolidated financial statements because the Society does not have a financial controlling interest in its chapters.

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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 these estimates.

Fair Value of Financial Instruments

Financial Accounting Standards Board's Accounting Standard Codification for Fair Value Measurements and Disclosures and all subsequent amendments effective for 2010 establishes a framework for measuring fair value and expands disclosures about such fair value measurements. See Note 9 for the disclosure of the fair value of applicable financial assets and liabilities as required by the standard.

Investments, including alternative investments, are reported at fair value. Fair value is based on quoted prices for securities traded on public exchanges. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities, or other reasonable valuation methodologies. Fair values for certain hedge funds or commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable. These valuations necessarily involve assumptions and estimation methods which are uncertain, and therefore the estimates could differ materially from actual results. The fair value of alternative investments may be based on historical cost, obtainable prices for similar assets, net asset value, or other estimates. The Society reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These investments are generally subject to certain withdrawal restrictions, and are less liquid than the Society's other investments.

The carrying amounts of cash equivalents, and collateral received and payable under a securities lending agreement approximate fair value as a result of their short maturities. The fair values of foreign currency forward contracts are based on the applicable exchange rates at December 31.

The Society makes use of various investment instruments including U. S. Government securities, corporate debt instruments, and corporate stocks. Investment securities, in general, carry various risks, such as interest rate, credit, and overall market risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities may occur in the near term and such changes could materially affect the amounts reported in investments.

The Society also utilizes contractual arrangements classified as derivatives to carry out its investment strategy in order to: (1) hedge a portion of the Society's portfolio to limit or minimize exposure to certain risks, (2) gain exposure to a market more rapidly or less expensively than could be accomplished through the use of the cash markets, or (3) increase investment returns by reducing the cost of structuring the portfolio or by capturing value disparities between financial instruments. The Society utilizes repurchase agreements, over-the-counter (OTC) options and interest rate swaps as well as exchange traded instruments such as financial futures. When utilizing repurchase agreements and OTC instruments there is exposure to credit loss in the event of nonperformance by the counter parties to these transactions. Select major financial institutions are used in derivatives transactions. The Society manages this exposure through credit approvals, limits, monitoring procedures, and to the extent possible, by restricting the period over which unpaid balances are allowed to accumulate. Procedures are in place at the investment managers to regularly monitor and report market and counter party credit risks associated with these instruments. The Society does not anticipate nonperformance by counter parties to these contracts, and no material loss would be expected from any such nonperformance.

The following is a summary of the significant accounting policies associated with the Society's use of derivatives.

The Society utilizes financial futures contracts in the management of its fixed income securities portfolio principally to manage interest rate risk or increase investment returns by capturing value disparities between financial instruments. Upon entering into a futures contract, the Society is required to pledge to the broker an amount of cash and/or cash equivalents equal to the minimum initial margin requirements of the exchange. Futures contracts are valued at the last settlement price at the end of each day on the exchange upon which they are traded. Pursuant to the futures contract, the Society agrees to receive from, or pay to, the broker an amount of cash equal to the daily fluctuation in the value of the futures contract. Such receipts or payments are known as variation margin, and are settled daily for changes in their fair value and are included in the realized gains (losses) on futures contracts. The variation margin is recorded as an asset (liability) and as net appreciation (depreciation) in investments.

The Society may purchase securities on a delayed delivery ("TBA securities"), when issued, or forward commitment basis. Payment and delivery may take place one month or more after the date of the transaction. The price of the underlying securities and the date when the securities will be delivered and paid for are fixed at the

time the transaction is negotiated. The underlying securities are valued at current market value with daily fluctuations in the market value included in net appreciation of investments. Losses may arise due to changes in the market value of the underlying securities or if the counterparty does not perform under the contract, or if the issuer does not issue the securities due to political, economic or other factors.

The Society may lend cash through the use of repurchase agreements whereby the Society agrees to purchase and subsequently sell certain securities at a mutually agreed-upon date and price with the counterparty (seller). The underlying securities consist of securities in which the Society is permitted to invest. The Society values the securities daily on a mark-to-market basis to determine that the value, including accrued interest, is at least equal to the repurchase price. If the counterparty defaults as a result of bankruptcy and the value of the securities decline, the proceeds of the liquidation of the securities by the Society may be delayed or limited.

The Society may utilize interest rate swap contracts to manage its exposure to interest rate risk. Interest rate swap contracts entered into by the Society typically represent the exchange by the Society with a counterparty of a commitment to make variable rate and fixed rate payments with respect to a notional amount of principal. Such contracts may have a term of one to ten years, but typically require periodic interim settlement in cash, at which time both the value of the index or security and the specified interest rate are reset for the next settlement period. During the period that the swap contract is open, the contract is marked-to-market as the net amount due to or from the Society in accordance with the terms of the contract based on the closing level of the relevant index or security and interest accrual through the valuation date. Changes in the value of the swap contract are recorded as unrealized gains or losses, while periodic cash settlements are recorded as realized gains or losses.

The Society may also purchase or sell option contracts on interest rate swaps in order to manage exposure to fluctuations in interest rates or hedge the fair value of other Society investments. Options on interest rate swaps give the purchaser the right, but not the obligation, to enter into an interest rate swap contract at a future date. If a call option on an interest rate swap is exercised, the purchaser will enter into a contract to receive the fixed rate and pay a floating rate in exchange. Exercising a put option on an interest rate swap would entitle the purchaser to pay a fixed rate and receive a floating rate. Option contracts on interest rate swaps are marked-to-market as the net amount due to or from the Society in accordance with the terms of the contract based on the closing level of the relevant market rate of interest. Changes in the value of the option are reported as unrealized gains or losses. A gain or loss is recognized when the option contract expires or is closed.

The Society also utilizes credit default swaps. Credit default swap contracts typically represent the exchange by the Society with a counterparty of a commitment to provide a level of credit protection for the potential risk of default of a bond issue. Selling credit protection to a counterparty tends to increase the Society's exposure to the underlying instrument. Purchasing credit protection from a counterparty tends to decrease the Society's exposure to the underlying instrument. Such contracts may have a term of one to ten years, but typically require periodic interim settlement in cash. During the period that the credit default swap contract is open, the contract is marked-to-market in accordance with the terms of the contract based on the current interest rate spreads and credit risk of the referenced obligation of the underlying issuer and interest accrual through valuation date. Changes in the value of the credit default swap are recorded as unrealized gains or losses, while periodic cash settlements are recorded as realized gains or losses.

Entering into a swap contract involves, to varying degrees, elements of credit, market and interest rate risk in excess of the amounts reported in the investments. Notional principal amounts are used to express the extent of involvement in the transactions, but are not delivered under the contract. Accordingly, credit risk is limited to any amounts receivable from the counterparty. To reduce credit risk from potential counterparty default, the Society enters into swap contracts with counterparties whose creditworthiness has been approved by the investment managers. The Society bears the market risk arising from any change in index or security values or interest rates.

Concentration of Credit Risk

The Society is subject to potential concentrations of credit risk in its cash, cash equivalents, and investments. The Society places its cash, cash equivalents and investments in various financial institutions that are federally insured for \$250,000 and for \$500,000 under the Federal Depository Insurance Corporation Act (FDICA) and Securities Investor Protection Corporation (SIPC), respectively. At December 31, 2010 and 2009, the aggregate balances were in excess of the insurance and therefore, pose some risk since they are not collateralized. The Society has not experienced any losses on its cash and cash equivalents, and investments to date in relation to FDICA and SIPC insurance limits.

Capital Market Risk

The Society invests in common stocks, preferred stocks, and fixed income securities which are subject to market risk and may result in gains or losses due to changes in market value. In addition, the Society utilizes futures and options to hedge changes in the market value of underlying investments, and forward contracts to hedge changes in the value of revenue denominated in foreign currencies. These financial instruments are also subject to market risk and may result in gains or losses, however, they are not used to leverage market exposure and any such gains or losses would be largely offset by changes in the market value of the underlying investments or foreign currencies.

Cash Equivalents

All investments with a maturity of three months or less, at the date of purchase, are considered to be cash equivalents.

Investments

Investments are recorded at fair value with the related gain or loss reported in the consolidated statements of activities. Purchases and sales of investments are recorded on the trade date. Investment income, consisting of interest and dividends, is recorded when earned.

Printed and Electronic Information Services

Revenue from the sale of printed materials and electronic information services is recognized when the printed product is shipped or when the electronic information service is provided to the customer. Subscription revenue from the sale of printed materials and electronic subscriptions is recognized ratably over the term of the subscription. Recoverable costs incurred to produce printed and electronic products are generally deferred until distribution, at which time they are expensed.

Dues, Subscriptions, and Other Payments Received in Advance

The Society receives substantial amounts of dues, subscriptions and other payments each year for services to be rendered and publications to be delivered in future periods. These amounts are included in deferred revenues in the accompanying consolidated statements of financial position and are recognized ratably over the term of the service.

Inventories

Inventories of paper, educational books, and other materials totaled approximately \$760,000 and \$709,000 at December 31, 2010 and 2009, respectively.

Work-in-process inventories totaled approximately \$4,081,000 in 2010 and \$5,555,000 in 2009. Amounts include manuscript acquisition, peer review, composition, and publication costs incurred during the fourth quarter for journals to be sold during the first quarter of the following year.

Inventories are stated at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis.

Buildings, Land, and Other Property

Buildings and improvements; computer equipment and software; and furniture, fixtures, and office equipment are carried at cost less accumulated depreciation and amortization. Improvements which extend the estimated useful life of an asset are capitalized. Internally developed software is capitalized in accordance with the Financial Accounting Standards Board's Accounting Standard Codification for Internal Use Software.

Assets are amortized on a straight-line basis over the useful life of an asset. One-half year's depreciation of amortization is taken in the year an asset is placed in service. Useful lives generally range from 3 to 15 years for computer equipment and software; 3 to 45 years for buildings and improvements; and 3 to 10 years for furniture, fixtures, and office equipment. Repairs and maintenance costs are charged to expense as incurred.

Temporarily and Permanently Restricted Net Assets

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods, or are restricted by the donor for specific purposes, are reported as temporarily restricted or permanently restricted support that increases those net asset classes.

A donor restriction expires when a stipulated time restriction ends or when a purpose restriction is accomplished. Upon expiration, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restriction. Restricted contributions received in the same year in which the restrictions are met are recorded as an increase to restricted support at the time of receipt and as net assets released from restriction.

Donor restrictions that permanently limit the use of contributed assets are classified as permanently restricted support. Income earned on permanently restricted assets is recorded in accordance with the donor's designation. Income that is permanently restricted by the donor is reported as permanently restricted support. Income designated as restricted for a future period or for a specific purpose is reported as temporarily restricted support. Upon expiration of the restriction, the temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the consolidated statements of activities as net assets released from restriction.

Government Grants and Contracts

Revenues from government contracts are derived from fixed-price arrangements and are recognized based on labor hours expended times a fixed-price rate per hour. Revenues from government grants are recognized as allowable costs are incurred. Both government grants and contracts are subject to audit by federal agencies. Grant and contract revenues are included in other revenues in the accompanying consolidated statements of activities.

Member Insurance Program

The Society maintains a separate Member Insurance Program, the American Chemical Society Insurance Trust (the Trust), which provides members with insurance coverage through several group insurance policies. The Trust currently maintains group insurance policies that provide term life, accidental death and dismemberment, hospital indemnity, long-term disability, long-term care, excess major medical, short-term medical, Medicare supplemental insurance, auto, homeowners, and professional liability coverage. An insurance carrier underwrites these policies while third-party administrators handle the processing and administration of the claims.

The Trust generates revenues from premiums received from program participants, refunds from the insurance carrier based on favorable claims experience, interest and dividends earned on investments, and interest income earned on reserves held by the insurance carrier to ensure the stability of the program. The Trust's expenses include the cost of purchasing group insurance policies, as well as the cost of administering these programs.

Given the uncertainty of claims experience in any given year and the resulting impact on the level of experience refunds from the insurance carrier, the Trust can have either a positive or a negative impact on the Society's consolidated statements of activities. The Trust accounted for a \$4,060,000 and a \$5,969,000 increase in the Society's unrestricted net assets for the years ended December 31, 2010 and 2009, respectively. The Trust accounts for \$39,464,000 and \$35,404,000 of the Society's total unrestricted net assets as reported in the consolidated statements of financial position as of December 31, 2010 and 2009, respectively. The activities of the Trust are included in ACS Programs in the consolidated financial statements.

Petroleum Research Fund

The American Chemical Society Petroleum Research Fund is an endowment fund established on October 25, 2000 as a result of The Agreement of Transfer of Trust (Agreement) between the Society and Morgan Guaranty Trust Company of New York, approved by the Attorney General for the State of New York, and ordered by the Supreme Court of New York. The Agreement dissolved the Petroleum Research Fund Trust (the Trust) and transferred the assets to the Society to create the American Chemical Society Petroleum Research Fund (the Fund), the purpose of which is the same as the Trust. The Agreement made the Society responsible for the management and administration of the Fund in an account separate and apart from any other accounts of the Society. As a result of the transfer, the historic dollar value for the Petroleum Research Fund was established at \$72,500,000, the value of the securities originally donated in 1944 to create the Trust. This amount must be held inviolate as permanently restricted assets.

The assets of the Fund consist primarily of domestic equities, foreign equities, fixed income securities. Under the terms of the Agreement, annual payouts from the Fund are capped at a maximum spending rate of 5% of the net asset value of the Fund over a rolling three-year average. The Society uses distributions from the Fund to make grants for advanced scientific education and fundamental research in the petroleum field. Grants are expensed when awarded by the Society's Board of Directors and accepted by the recipient. All grants awarded by the Fund in 2010 were accepted by the grant recipients. Grants that were awarded and not yet accepted by grant recipients at December 31, 2009, totaled approximately \$4.0 million.

Other Expenses

Supporting expenses identified as "other" in the consolidated statements of activities include expenses associated with the Society's web programs, new business development, the investment program and fund-raising activities.

Foreign Currency Transactions

Portions of the Society's receipts and expenditures are in foreign currencies. The Society enters into foreign currency forward contracts to reduce the risk that exchange rate fluctuations will impact the U.S. dollar value of future foreign net revenues.

The Society is required to recognize unrealized gains and losses related to unsettled foreign currency forward contracts at December 31. Forward contracts and related receivables/payables outstanding at December 31 are recorded at fair value using the appropriate forward exchange rates at December 31. To the extent the year-end rate differs from the forward contract rate, an unrealized gain or loss results. The Society had an unrealized loss of \$3,738,000 and an unrealized gain of \$2,449,000 as of December 31, 2010 and 2009, respectively. The unrealized loss for 2010 and unrealized gain for 2009 are included in net investment gains from non-operating activities in the consolidated statements of activities. The cumulative impact is included in accrued expenses in the consolidated statements of position.

The following table summarizes the notional amounts relating to unsettled foreign currency forward contracts maturing at various times through 2012:

	<u>2010</u>	<u>2009</u>
Notional Amount of Unsettled Forward Contracts:		
Contracts Maturing in 2010	\$ -	\$ 55,975,000
Contracts Maturing in 2011	57,017,000	12,400,000
Contracts Maturing in 2012	12,602,000	-
Total Contracts at December 31	<u>\$ 69,619,000</u>	<u>\$ 68,375,000</u>

To the extent that actual remittances in foreign currencies differ from contracted amounts, and the exchange rates at time of settlement are different from contracted exchange rates, the Society will realize gains or losses on settlement. The Society recognized realized gains of \$78,000 and \$69,000 in 2010 and 2009, respectively, from

foreign exchange transactions. The realized gains and losses are included in information services expenses in the consolidated statements of activities.

Reclassifications

Certain amounts in the 2009 consolidated financial statements have been reclassified to conform to the 2010 presentation.

3. RESTRICTED NET ASSETS

Temporarily restricted net assets at December 31 were available for the following programs:

	2010	2009
Petroleum Research Fund	\$ 415,437,000	\$ 375,600,000
Grants and Awards	19,678,000	18,034,000
Membership and Scientific Advancement	2,106,000	1,854,000
Education	808,000	825,000
Other	93,000	83,000
Total Temporarily Restricted Net Assets	<u>\$ 438,122,000</u>	<u>\$ 396,396,000</u>

Temporarily restricted net assets were released from restriction for the following programs by incurring expenses satisfying the purposes specified by the donors during the years ended December 31:

	2010	2009
Petroleum Research Fund	\$ 15,781,000	\$ 27,053,000
Grants and Awards	2,839,000	2,901,000
Education	1,714,000	1,699,000
Membership and Scientific Advancement	1,358,000	2,660,000
Other	66,000	79,000
Total Net Assets Released from Restriction	<u>\$ 21,758,000</u>	<u>\$ 34,392,000</u>

Permanently restricted net assets are invested in perpetuity. The income generated by these assets is used to support donor-specified programs or general activities of the Society. At December 31, the Society held the following permanently restricted net assets, the income from which supports the following programs:

	2010	2009
Petroleum Research Fund	\$ 72,500,000	\$ 72,500,000
Grants and Awards	61,130,000	57,903,000
Membership and Scientific Advancement	1,652,000	1,540,000
Total Permanently Restricted Net Assets	<u>\$ 135,282,000</u>	<u>\$ 131,943,000</u>

The Society incurred direct fund-raising expenses of \$1,058,000 in 2010 and \$1,064,000 in 2009.

4. ENDOWMENTS

The Society's Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act as requiring the preservation of the historical cost of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Society classifies as permanently restricted net assets the original value of gifts donated to permanent endowments, the original value of subsequent gifts to permanent endowments, and accumulations to permanent endowments made in accordance with explicit donor instructions stipulated in the gift instruments. The remaining portions of the donor-restricted endowment funds that are not classified in permanently restricted net assets are classified as temporarily restricted net assets until those amounts are made available for expenditure in a manner consistent with the donor gift instrument, the program operating budgets, and the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Society considers the following factors in making a determination as to the preservation and use of the donor-restricted endowment funds:

- The donor gift instrument;
- The duration and preservation of the fund;
- The purposes of the Society and the fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Society; and
- The Society's investment policies.

Donor-restricted endowment funds are pooled for purposes of management and investment and are invested in accordance with the Society's investment policy. The investment policy is intended to assure the Society's Board of Directors and the Board Committee on Pensions and Investments that the assets of the Society are being invested in accordance with the best long-term interests of the Society and its donors, given the following considerations:

- The Society's risk tolerance;
- The Society's need to obtain real, or inflation-adjusted, growth in its investments; and
- The Society's requirement for current income to support programs and activities.

The Society has adopted investment policies for endowment assets that attempt to generate a sufficient level of funding for programs supported by endowments. The policy is designed to achieve real growth in asset base over the long-term. Endowment assets include those assets of donor-restricted funds that the Society must hold in perpetuity or for a donor-specified period or purpose. Under this policy, as approved by the Board Committee on Pensions and Investments, endowment assets are invested in a manner intended to provide an average rate of return of approximately 8% percent annually with a moderate level of investment risk. Actual returns in any given year will vary from this amount.

To satisfy its long-term rate-of-return objectives, the Society relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Expenditures of endowment assets are recorded in accordance with the explicit donor instructions stipulated in the gift instruments.

The Society has 24 donor-restricted endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. In accordance with these principles, the Society has permanently and temporarily restricted donor endowment funds. The following tables show the beginning balance of the Society's endowment funds as of January 1, changes in endowment net assets for the year, and ending balances as of December 31, 2009 and 2010, respectively:

	Permanently Restricted Endowment Funds	Temporarily Restricted Endowment Funds	Total
Endowment Net Assets as of January 1, 2009	\$ 91,936,000	\$ 333,226,000	\$ 425,162,000
Investment Return			
Investment Income	-	13,028,000	13,028,000
Net Appreciation	4,093,000	74,767,000	78,860,000
Total Investment Return	96,029,000	421,021,000	517,050,000
Contributions	35,914,000	638,000	36,552,000
Net Assets Released from Restriction	-	(29,233,000)	(29,233,000)
Endowment Net Assets as of December 31, 2009	<u>\$ 131,943,000</u>	<u>\$ 392,426,000</u>	<u>\$ 524,369,000</u>
Endowment Net Assets as of January 1, 2010	\$ 131,943,000	\$ 392,426,000	\$ 524,369,000
Investment Return			
Investment Income	-	13,143,000	13,143,000
Net Appreciation	3,152,000	47,006,000	50,158,000
Total Investment Return	3,152,000	60,149,000	63,301,000
Contributions	143,000	693,000	836,000
Net Assets Released from Restriction	-	(18,026,000)	(18,026,000)
Other Changes/Transfers	44,000	(1,360,000)	(1,316,000)
Endowment Net Assets as of December 31, 2010	<u>\$ 135,282,000</u>	<u>\$ 433,882,000</u>	<u>\$ 569,164,000</u>

During 2010, the Society received non-cash contributions consisting of text books and laboratory equipment valued at \$26,000. In 2009, the Society received non-cash contributions consisting of securities and a building, valued at \$33,443,000 and \$575,000, respectively.

The Society classifies its permanently and temporarily donor-restricted endowment funds as follows at December 31:

	2010	2009
Permanently Restricted Net Assets		
(1) The portion of perpetual endowment funds that is required to be retained permanently either by explicit donor stipulation or UPMIFA	<u>\$ 135,282,000</u>	<u>\$ 131,943,000</u>
Temporarily Restricted Net Assets		
(1) The portion of perpetual endowment funds subject to a time restriction	86,000	151,000
(2) The portion of perpetual endowment funds subject to a purpose restriction	433,796,000	392,275,000
Total Temporarily Restricted Net Assets	<u>\$ 433,882,000</u>	<u>\$ 392,426,000</u>

5. ACCOUNTS AND PLEDGES RECEIVABLE

Accounts and pledges receivable, due in less than one year, consisted of the following at December 31:

	2010	2009
Accounts Receivable	\$ 71,534,000	\$ 60,610,000
Pledges Receivable	846,000	864,000
Accounts and Pledges Receivable	72,380,000	61,474,000
Less: Allowance for Doubtful Receivables	2,074,000	1,461,000
Accounts and Pledges Receivable, Net	<u>\$ 70,306,000</u>	<u>\$ 60,013,000</u>

The Society's pledges receivable represent unconditional promises to give. Long-term pledges are recorded in non-current other assets and totaled \$853,000 and \$683,000 as of December 31, 2010 and 2009, respectively.

	2010	2009
Pledges Receivable Due in:		
Two to Five Years	\$ 714,000	\$ 643,000
More than Five Years	139,000	40,000
Total Long-Term Pledges Receivable	<u>\$ 853,000</u>	<u>\$ 683,000</u>

6. BUILDINGS, LAND, AND OTHER PROPERTY

At December 31, buildings, land, and other property consisted of the following:

	2010	2009
Computer Equipment and Software	\$ 145,159,000	\$ 136,953,000
Buildings and Improvements	106,767,000	105,252,000
Furniture, Fixtures, and Office Equipment	30,363,000	28,643,000
Land	2,975,000	2,975,000
	285,264,000	273,823,000
Less: Accumulated Depreciation and Amortization	<u>181,234,000</u>	<u>168,289,000</u>
Buildings, Land, and Other Property, Net	<u>\$ 104,030,000</u>	<u>\$ 105,534,000</u>
Depreciation and Amortization	<u>\$ 21,240,000</u>	<u>\$ 21,149,000</u>

7. INVESTMENTS

The Society maintains balanced investment portfolios structured to generate current income and long-term appreciation. Funds for current operating needs are invested in cash equivalents. Investments include purchases and sales of securities pending settlement of \$73,789,000 and \$24,280,000, respectively, for 2010 and \$72,081,000 and \$150,475,000, respectively, for 2009. Certain unconsolidated local sections and divisions (affiliates) invested funds with the Society. These funds totaled \$6,531,000 as of December 31, 2009. Effective August 31, 2010, the local sections and divisions liquidated their investment holdings held by the Society and are no longer participating in the Society's investment program.

Interest and dividend income is distributed to the Society and its affiliates monthly based on their proportionate interest in the investment portfolio. Gains and losses are allocated to the participants on a monthly basis. Investment expenses are netted against investment income. Investment expenses totaled \$1,221,000 and \$1,199,000 for the years ended December 31, 2010 and 2009, respectively.

Financial futures contracts had a notional value of \$48,356,000 and \$136,424,000 at December 31, 2010 and 2009, respectively.

Investments, including alternative investments, are reported at fair value in accordance with the Financial Accounting Standard Board's Accounting Standard Codification for Fair Value Measurements and Disclosures. At December 31, 2010, the fair value of long-term investments consisted of the following:

Fair Value of Long-Term Investments For The Period Ended December 31, 2010

		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
	<u>Total</u>			
Cash Equivalents	\$ 1,612,000	\$ (38,019,000)	\$ 39,631,000	\$ -
Fixed Income - U.S. Treasury Securities	99,352,000	100,384,000	(1,032,000)	-
Fixed Income - U.S. Government Agency Securities	105,505,000	-	105,505,000	-
Fixed Income - Asset Backed Securities	3,692,000	-	3,692,000	-
Fixed Income - Mortgage Backed Securities	38,573,000	-	38,573,000	-
Fixed Income - Corporate Debt Securities	67,203,000	-	67,203,000	-
Fixed Income - International Debt Securities	44,793,000	-	44,793,000	-
Fixed Income - Municipals	20,727,000	-	20,727,000	-
Fixed Income - Corp Mutual Funds	32,727,000	9,446,000	23,281,000	-
Equity - Domestic Issues	119,547,000	119,547,000	-	-
Equity - Domestic Mutual Funds	27,048,000	17,599,000	9,449,000	-
Equity - Int'l Mutual Funds	9,601,000	4,699,000	4,902,000	-
Equity - Hedge Funds	75,074,000	-	-	75,074,000
Common Collective Trusts				
Domestic Equity	113,660,000	-	113,660,000	-
International Equity	131,041,000	-	131,041,000	-
Registered Investment Company				
International Mutual Funds	6,994,000	-	6,994,000	-
Total Assets Measured At Fair Value	<u><u>\$ 897,149,000</u></u>	<u><u>\$ 213,656,000</u></u>	<u><u>\$ 608,419,000</u></u>	<u><u>\$ 75,074,000</u></u>

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

Fair Value of Long-Term Investments For The Period Ended December 31, 2009

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Cash Equivalents	\$ 109,210,000	\$ 95,982,000	\$ 13,228,000	\$ -
Fixed Income - U.S. Treasury Securities	62,974,000	62,974,000	-	-
Fixed Income - U.S. Government Agency Securities	13,431,000	-	13,431,000	-
Fixed Income - Asset Backed Securities	6,099,000	-	6,099,000	-
Fixed Income - Mortgage Backed Securities	77,030,000	-	77,030,000	-
Fixed Income - Corporate Debt Securities	142,061,000	5,003,000	137,058,000	-
Fixed Income - Int'l Debt Securities	4,113,000	-	4,113,000	-
Fixed Income - Municipals	9,703,000	-	9,703,000	-
Equity - Domestic Issues	240,040,000	124,889,000	115,151,000	-
Equity - Foreign Issues	136,246,000	7,999,000	128,247,000	-
Equity - Hedge Funds	43,522,000	-	-	43,522,000
Total Assets Measured At Fair Value	\$ 844,429,000	\$ 296,847,000	\$ 504,060,000	\$ 43,522,000

As of December 31, 2010 fair value estimates for investment funds whose fair value is calculated based on net asset value per share are in the table below. There were no unfunded commitments.

	Note	Fair Value	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Financial Assets				
Common Collective Trusts				
Domestic Equity	A	\$ 113,660,000	Daily	1 day
International Equity	A	131,041,000	Bi-monthly	3 days
Registered Investment Company				
International Mutual Funds	A	6,994,000	Daily	Same day
Fixed Income Corp Mutual Funds	A	32,727,000	Daily	Same day
Equity - Domestic Mutual Funds	A	27,048,000	Daily	Same day
Equity - Int'l Mutual Funds	A	9,601,000	Daily	Same day
Equity - Hedge Funds	B	75,073,000	Not eligible	N/A
Deferred Compensation Plan Assets	A	2,630,000	Daily	Same day
Total		\$ 398,774,000		

Note A: Investments in these categories consist of investments in commingled funds or mutual funds that invest in domestic equities, foreign equities or fixed income securities. Fair market value of the investments has been estimated using the net asset value per share of the investments.

Note B: Hedge funds use multiple strategies to diversify risk and reduce volatility. The fair market value of the investments in this category has been estimated using the net asset value per share of the investments. Investments in this category cannot be redeemed as a result of restrictions that do not allow for redemption during the first one or three years after acquisition. The remaining restriction period for these investments ranged from nine months to three years at December 31, 2010.

The Society engages in a securities lending program whereby the Society lends certain securities in its investment portfolios to qualified borrowers on a short-term, fully collateralized basis. Concurrent with the delivery of the Society's securities to a borrower, the borrower delivers collateral in an amount equal to a required percentage of the fair value of the securities loaned, including accrued interest. This exchange is facilitated by the Society's lending agent, BNY Mellon, N.A. For U.S. securities and foreign securities denominated and payable in US dollars, the required collateral percentage is 102% of the securities' fair value. The required percentage with respect to the fair value of foreign securities is 105%. Throughout the duration of the loan, the collateral is marked-to-market on a daily basis. On any given day, if the collateral currently held is less than 102% of the original fair value of a loaned U.S. security or 105% of a foreign security, the borrower is required to deliver the difference at the close of trading by the next business day. On the termination date of the loan, the borrower must return to the lending agent the same, or substantially the same securities that were borrowed. The lending agent, in its agreement with the Society, guarantees the repayment of the loan in the event the borrower defaults. The Society retains all the benefits of ownership including rights to dividends, interest, and other cash distributions pertaining to the loaned securities. The Society also retains the right to redeem the loaned securities prior to their stipulated redemption date.

At December 31, 2010 and 2009, respectively, the Society recorded \$63,102,000 and \$33,315,000 in collateral received under its securities lending program and an equal amount payable to the borrowers under the agreement. These amounts are reflected in current assets and current liabilities in the consolidated statements of financial position.

8. LONG-TERM DEBT

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

	<u>2010</u>	<u>2009</u>
District of Columbia Pooled Loan Program Revenue bonds (Series A); interest payable monthly, with rates established weekly by the Bank of America, N.A. taking into consideration a variety of factors, including several external indices, current market conditions, and short-term expectations of the credit markets. The rate at December 31, 2010 was 0.44%. Principal is payable semiannually with final payment due July 1, 2015.	\$ 3,930,000	\$ 4,615,000
County of Franklin, Ohio, Development Revenue bonds (Series 1999); interest payable semiannually, with rates ranging from 5.50% to 5.80%; principal payable annually with final payment due October 1, 2014.	-	20,855,000
	<u>3,930,000</u>	<u>25,470,000</u>
Less: Unamortized Bond Issuance Costs	(61,000)	(288,000)
Current Portion of Long-Term Debt	<u>(715,000)</u>	<u>(4,420,000)</u>
Long-Term Portion of Debt, Net	<u>\$ 3,154,000</u>	<u>\$ 20,762,000</u>

The District of Columbia Pooled Loan Program Revenue bonds (Series A) were issued in the face amount of \$9,560,000 in May 2000. The Series A Bonds were issued for the purpose of refinancing \$9,376,000 on a mortgage loan that came due on May 1, 2000, on a building owned by the Society. The remaining balance of \$184,000 was used to pay issuance costs on the bonds.

The County of Franklin, Ohio, Development Revenue bonds (Series 1999) were issued in the face amount of \$45,000,000 in October 1999. The Series 1999 Bonds were issued for the purpose of constructing a 46,000 square-foot building to be used as a data center, purchasing computer and telecommunications equipment, and funding certain building improvements at the CAS campus in Columbus, Ohio. The full amount of the proceeds was expended through March 31, 2001. On October 1, 2010, the Society paid the balance outstanding on the Series 1999 bonds of \$20,855,000 plus \$587,000 of accrued interest. The early extinguishment of the Ohio Revenue bonds was recorded in accordance with the Financial Accounting Standard Board's Accounting Standard Codification for Extinguishment of Liabilities. In addition to paying the balance of the outstanding debt, the Society expensed the remaining balance of the unamortized bond issuance costs totaling \$173,000.

The estimated fair value of the Society's debt was \$3,930,000 and \$25,731,000 as of December 31, 2010 and 2009, respectively, and was determined utilizing observable inputs such as bond issues with similar credit ratings, maturities, coupon rates and call features. Total interest paid in 2010 and 2009 was approximately \$1,202,000 and \$1,395,000, respectively.

The loan agreements require the Society to meet certain financial covenants which, in the opinion of management, the Society satisfied for the years ended December 31, 2010 and 2009, respectively.

In 2009, the Society had a line of credit with a bank for working capital needs. The amount of the line of credit varied according to the cyclical needs of the Society which could range from \$1,000,000 to \$10,000,000 throughout the year. In 2010 the Society did not renew the line of credit. There were no borrowings outstanding under the line of credit as of December 31, 2009.

On May 15, 2009 in conjunction with an appeal filed by the Society in the Ohio Court of Appeals (See Note 13 Commitments and Contingencies), the Society obtained an irrevocable letter of credit from a bank, currently in the amount of \$39,500,000, to secure a bond for the appeal. There have not been any draws on the irrevocable letter of credit through December 31, 2010.

Annual maturities of long-term debt are as follows:

<u>Years Ended December 31</u>	<u>Principal Amount</u>
2011	\$ 715,000
2012	750,000
2013	785,000
2014	820,000
2015	860,000
	<u>\$ 3,930,000</u>

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

In 2008, the Society adopted the Financial Accounting Standards Board's Accounting Standard Codification for Fair Value Measurements and Disclosures and all subsequent amendments effective as of the end of 2009. This standard establishes a common definition for fair value to be applied to accounting principles generally accepted in the United States requiring use of fair value. This standard establishes a framework for measuring fair value, and expands disclosures about such fair value measurements. It clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at measurement date. As such, fair value is a market-based measurement that should be determined based on assumptions that market participants would use in pricing an asset or liability.

As a basis for considering assumptions, the fair value measurement standard establishes a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The statement requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets or liabilities (i.e., U.S. Treasury issues, equities and mutual funds traded on major exchanges);
- Level 2 – Inputs, other than quoted prices in active markets for identical assets or liabilities, that are observable either directly or indirectly, such as interest rates, yield curves and quoted prices in active markets for similar assets or liabilities (i.e., U.S. Agency issues, corporate bonds, money market funds, equity common funds, debt outstanding and foreign exchange forward contracts); and
- Level 3 – Unobservable inputs in which there is little or no market data, requiring the reporting entity to develop its own assumptions (i.e., hedge funds).

The Society utilizes the best information available in measuring fair value and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The adoption of the standard did not have any impact on the Society's financial results.

The Society utilizes the services of the custodians of the assets to provide a valuation estimate based on previously disclosed techniques and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the custodian may also use established procedures for determining the fair value of securities which reflect their own assumptions. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of financial instruments listed above:

- Cash Equivalents – Cash equivalents consist of deposits in money market funds and short-term U.S. Treasury issues. These are priced using quoted prices in active markets and are classified as either Level 1 or Level 2 based on the availability of prices for identical or similar assets.
- Fixed Income Securities – Fixed income securities include, but are not limited to, U.S. Treasury issues, U.S. Government Agency issues, corporate debt, mortgage backed securities, asset backed securities, municipal bonds and fixed income mutual funds. U.S. Treasury issues and fixed income mutual funds are valued using quoted prices in active markets for identical assets and are classified Level 1. The remainder of these securities is valued using quoted prices in active markets for similar securities and is classified as Level 2.
- Equity Investments – Equity investments consist of, but are not limited to, mutual funds, separate accounts, common trust funds and hedge funds. These assets consist of both publicly traded and privately held securities.
 - Publicly traded securities – These investments consist of domestic and foreign equity holdings. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.
 - Privately held securities – These investments consist of hedge funds which are privately held and trade infrequently, if at all. The valuations of the hedge funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value for shares. The funds are limited partnerships and shares are not readily redeemable. No active market exists for these investments and they are classified Level 3.
- Collateral Received Under Securities Lending Agreement - Concurrent with the lending of the Society's securities to a borrower, the borrower delivers collateral in an amount equal to a required percentage of the fair value of the securities loaned, including accrued interest. This collateral consists primarily of cash

deposits and U.S. Treasury and U.S. Government Agency issues. These are priced by the custodian using quoted prices in active markets and are classified as either Level 1 or Level 2 based on the availability of prices for identical or similar assets.

- Foreign Currency Forward Contracts - Portions of the Society's receipts and expenditures are in foreign currencies. The Society enters into foreign currency forward contracts to reduce the risk that exchange rate fluctuations will impact the U.S. dollar value of future foreign net revenues. The Society is required to recognize unrealized gains and losses related to unsettled foreign currency forward contracts at December 31. The unrealized gains /losses are determined using quoted prices in active markets for similar contracts and are classified as Level 2.

The following table summarizes the 2010 valuation for the Society's financial instruments according to the classification hierarchy:

Fair Value of Financial Instruments for the Period Ended December 31, 2010

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	\$ 39,072,000	\$ (2,071,000)	\$ 41,143,000	\$ -
Fixed Income - U.S. Treasury Securities	99,352,000	100,384,000	(1,032,000)	-
Fixed Income - U.S. Government Agency Securities	105,505,000	-	105,505,000	-
Fixed Income - Asset Backed Securities	3,692,000	-	3,692,000	-
Fixed Income - Mortgage Backed Securities	38,573,000	-	38,573,000	-
Fixed Income - Corporate Debt Securities	67,203,000	-	67,203,000	-
Fixed Income - International Debt Securities	44,793,000	-	44,793,000	-
Fixed Income - Municipals	20,727,000	-	20,727,000	-
Fixed Income - Corp Mutual Funds	32,727,000	9,446,000	23,281,000	-
Equity - Domestic Issues	119,547,000	119,547,000	-	-
Equity - Domestic Mutual Funds	27,048,000	17,599,000	9,449,000	-
Equity - Int'l Mutual Funds	9,601,000	4,699,000	4,902,000	-
Equity - Hedge Funds	75,074,000	-	-	75,074,000
Common Collective Trusts				
Domestic Equity	113,660,000	-	113,660,000	-
International Equity	131,041,000	-	131,041,000	-
Registered Investment Company				
International Mutual Funds	6,994,000	-	6,994,000	-
Cash Collateral Received Under Securities Lending Agreement	63,102,000	63,102,000	-	-
Deferred Compensation Plan Assets	2,630,000	2,630,000	-	-
Total Assets Measured At Fair Value	\$ 1,000,341,000	\$ 315,336,000	\$ 609,931,000	\$ 75,074,000
Financial Liabilities				
Cash Collateral Payable Under Securities Lending Agreement	\$ 63,102,000	\$ 63,102,000	\$ -	\$ -
Foreign Currency Forward Contracts	5,154,000	-	5,154,000	-
Total Liabilities Measured At Fair Value	\$ 68,256,000	\$ 63,102,000	\$ 5,154,000	\$ -

Included in cash equivalents for the period ended December 31, 2010 are purchases and sales of securities pending settlement of \$73,789,000 and \$24,280,000, respectively.

The following table summarizes the 2009 valuation of the Society's financial instruments according to the classification hierarchy:

Fair Value of Financial Instruments For The Period Ended December 31, 2009

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	\$ 148,698,000	\$ 135,470,000	\$ 13,228,000	\$ -
Fixed Income - U.S. Treasury Securities	62,974,000	62,974,000	-	-
Fixed Income - U.S. Government Agency Securities	13,431,000	-	13,431,000	-
Fixed Income - Asset Backed Securities	6,099,000	-	6,099,000	-
Fixed Income - Mortgage Backed Securities	77,030,000	-	77,030,000	-
Fixed Income - Corporate Debt Securities	142,187,000	5,129,000	137,058,000	-
Fixed Income - International Debt Securities	4,113,000	-	4,113,000	-
Fixed Income - Municipals	9,703,000	-	9,703,000	-
Equity - Domestic Issues	240,996,000	125,845,000	115,151,000	-
Equity - Foreign Issues	136,797,000	8,550,000	128,247,000	-
Equity - Hedge Funds	43,522,000	-	-	43,522,000
Collateral Received Under Securities Lending Agreement	33,315,000	32,682,000	633,000	-
Foreign Currency Forward Contracts	1,116,000	-	1,116,000	-
Total Assets Measured At Fair Value	\$ 919,981,000	\$ 370,650,000	\$ 505,809,000	\$ 43,522,000
Financial Liabilities				
Cash Collateral Payable Under Securities Lending Agreement	\$ 33,315,000	\$ 32,682,000	\$ 633,000	\$ -
Foreign Currency Forward Contracts	2,552,000	-	2,552,000	-
Total Liabilities Measured At Fair Value	\$ 35,867,000	\$ 32,682,000	\$ 3,185,000	\$ -

Included in cash equivalents for the year ended December 31, 2009 are purchases and sales of securities pending settlement of \$72,081,000 and \$150,475,000, respectively.

Financial futures contracts had a notional value of \$48,356,000 and \$136,424,000 at December 31, 2010 and 2009, respectively.

The Society has credit default swaps outstanding. The following tables provide the detail for those swaps as of December 31, 2010 and 2009, respectively.

Credit Default Swaps Outstanding at December 31, 2010

Cusip	Description	Counterparty	Fund Receives/Pro vides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC95R32	CDX IG10 10Y BP GST	Goldman Sachs International	Receives	-150.00%	REFERENCE INDEX	\$ (54,000)	Quarterly	3/21/08	6/20/18	USD	\$ 2,710,000	\$ -
SWPC95R73	CDX IG10 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-150.00%	REFERENCE INDEX	(24,000)	Quarterly	3/21/08	6/20/18	USD	2,226,000	(21,000)
SWPC501C5	CDX IG12 5Y BP DUB	Deutsche Bank AG	Receives	-100.00%	REFERENCE INDEX	13,000	Quarterly	3/20/09	6/20/14	USD	397,000	(18,000)
SWPC14891	HOSPITALITY PROP TRUST NS BP MYC	Morgan Stanley Capital Services Inc.	Receives	-258.00%	HOSPITALITY PROP TRUST	-	Quarterly	5/13/08	3/20/18	USD	1,600,000	(68,000)
SWPC18447	MARSH & MCLENNAN NEGB NS BP DUB	Deutsche Bank AG	Receives	-60.00%	MARSH & MCLENNAN COS INC	-	Quarterly	5/31/08	9/20/15	USD	800,000	24,000
SWPC01A46	AUTOZONE NEGB NS BP BOA	Bank of America NA	Receives	-87.00%	AUTOZONE SR NT	-	Quarterly	5/8/08	6/20/16	USD	800,000	(7,000)
SWPC96V84	AUTOZONE NEGB NS BP BOA	Bank of America NA	Receives	-62.00%	AUTOZONE SR UNSECURED	-	Quarterly	5/8/08	12/20/12	USD	700,000	(4,000)
SWPC45788	CDX HY8 5Y 25-35% BP CBK	Citibank NA	Receives	-163.00%	REFERENCE INDEX	-	Quarterly	9/20/07	6/20/12	USD	500,000	(7,000)
SWPC95R16	CDX IG10 10Y BP DUB	Deutsche Bank AG	Receives	-150.00%	REFERENCE INDEX	(24,000)	Quarterly	3/21/08	6/20/18	USD	1,355,000	(4,000)
Subtotal						(89,000)					11,088,000	(105,000)

Credit Default Swaps Outstanding at December 31, 2010

Cusip	Description	Counterparty	Fund Receives/Pro vides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC95R32	CDX IG10 10Y BP GST	Goldman Sachs International	Receives	-150.00%	REFERENCE INDEX	(37,000)	Quarterly	3/21/08	6/20/18	USD	1,549,000	5,000
SWPC95R73	CDX IG10 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-150.00%	REFERENCE INDEX	(20,000)	Quarterly	3/21/08	6/20/18	USD	1,839,000	(17,000)
SWPC684C4	MACYS INC NEGB SNR S* BP RYL	Royal Bank of Scotland PLC	Receives	-100.00%	MACYS INC	57,000	Quarterly	3/20/09	12/20/16	USD	1,200,000	(21,000)
SWPC66354	NEWELL RUBBERMAID NS BP NEGB RYL	Royal Bank of Scotland PLC	Receives	-49.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/07	6/20/17	USD	300,000	13,000
SWPC57452	NEWELL RUBBERMAID NS BP NEGB UAG	UBS AG STAMFORD	Receives	-48.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/07	6/20/17	USD	200,000	9,000
SWPC04E46	NORDSTROM INC NEGB NS BP BOA	Bank of America NA	Receives	-99.00%	NORDSTROM INC SNR NT	-	Quarterly	5/8/08	3/20/18	USD	800,000	9,000
SWPC96R30	AMERICAN GENERAL FINANCE NS NEGB BP RYL	Royal Bank of Scotland PLC	Receives	-182.00%	AMERICAN GENERAL FINANCE	-	Quarterly	5/17/08	12/20/17	USD	1,500,000	399,000
SWPC80322	CDX HY8 5Y 25-35% BP MEI	Merrill Lynch International	Receives	-160.00%	REFERENCE INDEX	-	Quarterly	9/20/07	6/20/12	USD	200,000	(3,000)
SWPC95R16	CDX IG10 10Y BP DUB	Deutsche Bank AG	Receives	-150.00%	REFERENCE INDEX	(52,000)	Quarterly	3/21/08	6/20/18	USD	3,001,000	(8,000)
Subtotal						(52,000)					10,589,000	386,000
Total Credit Default Swaps						<u>\$ (141,000)</u>					<u>\$ 21,677,000</u>	<u>\$ 281,000</u>

Credit Default Swaps Outstanding at December 31, 2009

Cusip	Description	Counterparty	Fund Receives/Prov ides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC96R30	AMERICAN GENERAL FINANCE NS NEGB BP RYL	Royal Bank of Scotland PLC	Receives	-182.00%	AMERICAN GENERAL FINANCE	\$ -	Quarterly	5/17/2008	12/20/2017	USD	\$ 1,500,000	\$ 520,000
SWPC80322	CDX HY8 5Y 25-35% BP MEI	Merrill Lynch International	Receives	-160.00%	REFERENCE INDEX	-	Quarterly	9/20/2007	6/20/2012	USD	200,000	7,000
SWPC95R16	CDX IG10 10Y BP DUB	Deutsche Bank AG	Receives	-150.00%	REFERENCE INDEX	(52,000)	Quarterly	3/21/2008	6/20/2018	USD	3,001,000	-
SWPC95R32	CDX IG10 10Y BP GST	Goldman Sachs International	Receives	-150.00%	REFERENCE INDEX	(54,000)	Quarterly	3/21/2008	6/20/2018	USD	2,710,000	7,000
SWPC95R73	CDX IG10 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-150.00%	REFERENCE INDEX	(24,000)	Quarterly	3/21/2008	6/20/2018	USD	2,226,000	(15,000)
SWPC501C5	CDX IG12 5Y BP DUB	Deutsche Bank AG	Receives	-100.00%	REFERENCE INDEX	13,000	Quarterly	3/20/2009	6/20/2014	USD	397,000	(16,000)
SWPC82310	CDX IG9 10Y BP BRC	Barclays Bank PLC	Receives	-80.00%	REFERENCE INDEX	8,000	Quarterly	9/21/2007	12/20/2017	USD	581,000	10,000
SWPC80348	CDX IG9 10Y BP GST	Goldman Sachs International	Receives	-80.00%	REFERENCE INDEX	18,000	Quarterly	9/21/2007	12/20/2017	USD	1,065,000	15,000
SWPC81239	CDX IG9 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-80.00%	REFERENCE INDEX	27,000	Quarterly	9/21/2007	12/20/2017	USD	1,258,000	12,000
SWPC96W83	CDX IG9 10Y BP RYL	Royal Bank of Scotland PLC	Receives	-80.00%	REFERENCE INDEX	4,000	Quarterly	9/21/2007	12/20/2017	USD	290,000	5,000
SWPC14891	HOSPITALITY PROP TRUST NS BP MYC	Morgan Stanley Capital Services Inc.	Receives	-258.00%	HOSPITALITY PROP TRUST	-	Quarterly	5/13/2008	3/20/2018	USD	1,600,000	(2,000)
SWPC18447	MARSH & MCLENNAN NEGB NS BP DUB	Deutsche Bank AG	Receives	-60.00%	MARSH & MCLENNAN COS INC	-	Quarterly	5/31/2008	9/20/2015	USD	800,000	5,000
SWPC06A29	SARA LEE CORPORATION NEGB SNR NS BP BOA	Bank of America NA	Receives	-50.00%	SARA LEE CORP	-	Quarterly	6/4/2008	6/20/2013	USD	1,500,000	(10,000)
SWPC591B8	UBS AG JERSEY SNR NEGB NS BP DUB	Deutsche Bank AG	Receives	-208.00%	UBS AG JERSEY BRANCH SR UNSECURED EMTN	-	Quarterly	1/7/2009	3/20/2014	USD	300,000	(24,000)
SWPC652B4	UBS AG JERSEY SNR NEGB NS BP DUB	Deutsche Bank AG	Receives	-220.00%	UBS AG JERSEY BRANCH SR UNSECURED EMTN	-	Quarterly	1/16/2009	3/20/2014	USD	400,000	(34,000)
Subtotal						(60,000)					17,828,000	480,000

Credit Default Swaps Outstanding at December 31, 2009

Cusip	Description	Counterparty	Fund Receives/Prov ides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC01A46	AUTOZONE NEGB NS BP BOA	Bank of America NA	Receives	-87.00%	AUTOZONE SR NT	-	Quarterly	5/8/2008	6/20/2016	USD	800,000	(12,000)
SWPC96V84	AUTOZONE NEGB NS BP BOA	Bank of America NA	Receives	-62.00%	AUTOZONE SR UNSECURED	-	Quarterly	5/8/2008	12/20/2012	USD	700,000	(5,000)
SWPC45788	CDX HY8 5Y 25-35% BP CBK	Citibank NA	Receives	-163.00%	REFERENCE INDEX	-	Quarterly	9/20/2007	6/20/2012	USD	500,000	17,000
SWPC95R16	CDX IG10 10Y BP DUB	Deutsche Bank AG	Receives	-150.00%	REFERENCE INDEX	(47,000)	Quarterly	3/21/2008	6/20/2018	USD	2,710,000	-
SWPC95R32	CDX IG10 10Y BP GST	Goldman Sachs International	Receives	-150.00%	REFERENCE INDEX	(37,000)	Quarterly	3/21/2008	6/20/2018	USD	1,549,000	9,000
SWPC95R73	CDX IG10 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-150.00%	REFERENCE INDEX	(20,000)	Quarterly	3/21/2008	6/20/2018	USD	1,839,000	(13,000)
SWPC95N85	CDX IG10 5Y BP JPM	JP Morgan Chase Bank, N.A.	Receives	-155.00%	REFERENCE INDEX	(53,000)	Quarterly	3/21/2008	6/20/2013	USD	3,098,000	10,000
SWPC82310	CDX IG9 10Y BP BRC	Barclays Bank PLC	Receives	-80.00%	REFERENCE INDEX	2,000	Quarterly	9/21/2007	12/20/2017	USD	194,000	4,000
SWPC81239	CDX IG9 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-80.00%	REFERENCE INDEX	22,000	Quarterly	9/21/2007	12/20/2017	USD	968,000	8,000
SWPC684C4	MACYS INC NEGB SNR S* BP RYL	Royal Bank of Scotland PLC	Receives	-100.00%	MACYS INC NEWELL	57,000	Quarterly	3/20/2009	12/20/2016	USD	1,200,000	9,000
SWPC66354	NEWELL RUBBERMAID NS BP NEGB RYL	Royal Bank of Scotland PLC	Receives	-48.50%	RUBBERMAID INC NT	-	Quarterly	4/13/2007	6/20/2017	USD	300,000	16,000
SWPC57452	NEWELL RUBBERMAID NS BP NEGB UAG	UBS AG STAMFORD	Receives	-48.00%	NEWELL RUBBERMAID	-	Quarterly	4/13/2007	6/20/2017	USD	200,000	10,000
SWPC04E46	NORDSTROM INC NEGB NS BP BOA	Bank of America NA	Receives	-99.00%	INC NT NORDSTROM	-	Quarterly	5/8/2008	3/20/2018	USD	800,000	5,000
Subtotal						(76,000)					14,858,000	58,000
Total Credit Default Swaps						<u>\$ (136,000)</u>					<u>\$ 32,686,000</u>	<u>\$ 538,000</u>

The change in fair value of the Society's investments valued using significant unobservable inputs (Level 3) is shown below:

	<u>2010</u>	<u>2009</u>
Fair Value Recorded at January 1,	\$ 43,522,000	\$ 21,064,000
Purchases	27,000,000	17,000,000
Total Gains or (Losses) (Realized/Unrealized)	4,552,000	5,458,000
Fair Value Recorded at December 31	<u>\$ 75,074,000</u>	<u>\$ 43,522,000</u>

There are no other financial instruments subject to fair value measurement on a recurring basis.

10. DEFINED BENEFIT PENSION, POSTRETIREMENT MEDICAL BENEFITS, AND OTHER BENEFITS

The Society has a funded noncontributory defined benefit pension plan, which is qualified under Section 401(a) of the Internal Revenue Code and covers employees hired prior to September 1, 2007. The Society makes actuarially determined contributions to satisfy all funding requirements. In December 2000, the Society amended the Plan agreement, effective November 1, 2001, to provide a cash balance defined benefit option to all new employees hired on or after the effective date, while preserving the current final average pay defined benefit option for current employees who did not elect the cash balance option. The amendment did not change the benefit for service accrued up to October 31, 2001. Effective September 1, 2007, the defined benefit pension plan was closed to new employees.

In 2007, the Society announced that all benefit-eligible employees hired on or after September 1, would participate in the new ACS Defined Contribution Retirement Plan (DCRP). The plan provides an employer contribution equal to 6% of base pay, plus a company match equal to 50% of the first 6% a participant contributes to the 403(b) Tax Deferred Investment Program and/or the DCRP. Employees hired before September 1, 2007 were given a choice to remain in the defined benefit pension plan, or prospectively move to this new DCRP.

The estimated net actuarial loss for the defined benefit pension plan that will be amortized from non-operating income for 2011 is \$4,500,000. The estimated net actuarial loss and prior service cost/ (credit) for the postretirement medical plan that will be amortized from non-operating income for 2011 are \$2,832,000 and (\$5,817,000), respectively.

Effective October 31, 2009, the Society froze further accruals associated with its defined benefit pension plan (final average pay and cash balance options). All current participants were transitioned to the DCRP. Years of service and earnings for staff that accrued benefits in the final average pay option were frozen as of October 31, 2009. For staff enrolled in the cash balance option the Society's contributions to the plan ceased at the conclusion of the last full pay period in October 2009. Participants in the cash balance plan continue to receive interest credits, currently at 3.77% per annum, applied to frozen account balances as of October 31, 2009. Participants in each plan option will become eligible for pay-out (provided participants are vested) at a future date upon termination of employment in accordance with plan provisions.

The Society provides postretirement medical benefits to all employees who were employed as of October 31, 2001, have earned at least five years of service, reach retirement age while employed by the Society, and are collecting retirement benefits from the Society's pension plan. The medical benefits plan is contributory with participants' contributions adjusted annually. The plan's prescription benefit is actuarially equivalent to Medicare Part D and eligible for the federal subsidy.

Effective December 31, 2009, the Society's contributions toward the overall cost of retiree health insurance for current and future eligible retirees was capped at the 2009 level. Cost sharing and service credits will continue.

The following table presents the change in benefit obligations, change in plan assets, and the composition of accrued benefit costs and amounts recognized in the accompanying consolidated statements of financial position and consolidated statements of activities for the years ended December 31, 2010 and December 31, 2009. The table incorporates the impact of changing the plan's valuation date to December 31:

Defined Benefit Pension and Postretirement Medical Benefits:

	Pension Benefits		Postretirement Medical Benefits	
	2010	2009	2010	2009
Change in Benefit Obligations				
Benefit Obligations at January 1	\$ 541,485,000	\$ 493,192,000	\$ 38,294,000	\$ 50,705,000
Service Cost	-	8,702,000	440,000	340,000
Interest Cost	31,065,000	31,847,000	2,081,000	2,320,000
Plan Participants' Contributions	-	-	855,000	749,000
Actuarial Loss	56,967,000	32,987,000	4,984,000	8,974,000
Benefits Paid	(28,075,000)	(25,243,000)	(4,042,000)	(3,631,000)
Plan Change	-	-	-	(21,433,000)
Expected/Received				
Medicare Part D Reimbursements	-	-	270,000	270,000
Benefit Obligations at December 31	<u>\$ 601,442,000</u>	<u>\$ 541,485,000</u>	<u>\$ 42,882,000</u>	<u>\$ 38,294,000</u>
Change in Plan Assets				
Fair Value of Plan Assets at				
January 1	\$ 412,274,000	\$ 344,364,000	\$ -	\$ -
Actual Return on Plan Assets	60,501,000	66,153,000	-	-
Employer Contribution	25,000,000	27,000,000	2,917,000	2,612,000
Plan Participants' Contributions	-	-	855,000	749,000
Benefits Paid	(28,075,000)	(25,243,000)	(4,042,000)	(3,631,000)
Expected/Received				
Medicare Part D Reimbursements	-	-	270,000	270,000
Fair Value of Plan Assets at December 31	<u>\$ 469,700,000</u>	<u>\$ 412,274,000</u>	<u>\$ -</u>	<u>\$ -</u>
Funded Status	<u>\$ (131,742,000)</u>	<u>\$ (129,211,000)</u>	<u>\$ (42,882,000)</u>	<u>\$ (38,294,000)</u>
Amounts Recognized in Financial Position				
Current Liabilities	\$ -	\$ -	\$ (2,896,000)	\$ (2,665,000)
Noncurrent Liabilities	(131,742,000)	(129,211,000)	(39,986,000)	(35,629,000)
Net Liability at December 31	<u>\$ (131,742,000)</u>	<u>\$ (129,211,000)</u>	<u>\$ (42,882,000)</u>	<u>\$ (38,294,000)</u>
Amounts Recognized in Unrestricted Net Assets - Non-Operating Activity				
Unrecognized Loss	\$ 184,911,000	\$ 157,973,000	\$ 33,959,000	\$ 31,515,000
Unrecognized Prior Service Cost (Credit)	-	-	(41,201,000)	(47,018,000)
Net Amount Recognized in Financial Statements	<u>\$ 184,911,000</u>	<u>\$ 157,973,000</u>	<u>\$ (7,242,000)</u>	<u>\$ (15,503,000)</u>

The accumulated benefit obligation for the Society's pension plan is \$601,442,000 and \$541,485,000 at December 31, 2010 and 2009, respectively.

Components of Net Periodic Benefit Cost for the Year Ended December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2010	2009	2010	2009
Service Cost	\$ -	\$ 8,702,000	\$ 440,000	\$ 340,000
Interest Cost	31,065,000	31,847,000	2,081,000	2,320,000
Expected Return on Plan Assets	(33,956,000)	(28,361,000)	-	-
Amortization of Prior Service Cost	-	-	(5,817,000)	(5,039,000)
Amortization of Net Actuarial Loss	3,484,000	3,886,000	2,540,000	1,489,000
Net Periodic Benefit Costs	<u>\$ 593,000</u>	<u>\$ 16,074,000</u>	<u>\$ (756,000)</u>	<u>\$ (890,000)</u>

Other Changes in Plan Assets and Benefit Obligations Recognized in Unrestricted Net Assets:

The following table provides information for other changes in plan assets and benefit obligations recognized in unrestricted net assets for the year ended December 31:

	Pension Plan		Postretirement Medical Plan	
	2010	2009	2010	2009
Net Actuarial Loss (Gain)	\$ 30,422,000	\$ (4,806,000)	\$ 4,984,000	\$ 8,974,000
Prior Service Credit	-	-	-	(21,433,000)
Amortization of Prior Service (Cost) Credit	-	-	5,817,000	5,039,000
Amortization of Net Actuarial Loss	(3,484,000)	(3,886,000)	(2,540,000)	(1,489,000)
Total Recognized in Unrestricted Net Assets Non-Operating Activity	<u>\$ 26,938,000</u>	<u>\$ (8,692,000)</u>	<u>\$ 8,261,000</u>	<u>\$ (8,909,000)</u>

Assumptions

Assumptions used to determine benefit obligations at December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2010	2009	2010	2009
Discount Rate	5.375%	5.875%	5.125%	5.625%

Assumptions used to determine net periodic benefit cost for year ended December 31:

	Pension Benefits		Postretirement Medical Benefits	
	2010	2009	2010	2009
Discount Rate	5.875%	6.625%	5.625%	6.625%
Expected Return on Plan Assets	8.250%	8.250%	N/A	N/A
Rate of Compensation Increase	NA	4.250%	N/A	N/A

The Society determines the long-term expected rate of return on plan assets by examining historic capital market returns, correlations between asset classes and the Plan's normal asset allocation. Current and near-term market factors such as inflation and interest rates are then evaluated to arrive at the expected return on plan assets. Peer group and benchmarking data are also reviewed to ensure a reasonable and appropriate return assumption.

Plan Assets

The Society's pension plan asset allocation as of December 31, by asset category is as follows:

	Plan Assets at December 31	
	2010	2009
Domestic Equities	27%	29%
Foreign Equities	13%	16%
Fixed Income Securities	59%	52%
Cash Equivalents	1%	3%
Total	100%	100%

The Society utilizes a total return investment approach based on modern portfolio theory. Multiple asset classes are implemented in order to obtain the benefits of diversification and maximize long-term total return for a given level of risk. Risk tolerance is developed by reviewing the funded status of the plan, the duration of the plan liabilities, the income and liquidity requirements, legal constraints, and the financial condition of the Society.

The investment portfolio is comprised of a diversified combination of domestic equities, international equities, fixed income securities and cash equivalents. Prior to 2010, the Plan's investment policy specified a normal, or long-term, asset allocation of 45% domestic equities, 15% foreign equities, 40% fixed income securities and a nominal amount of cash equivalents. In 2010 the investment policy was revised to incorporate a liability-driven investment approach that focuses on the funded status of the Plan and seeks to match the duration of the assets with that of the liabilities. In general, as the Plan's funded status improves, asset allocation will be directed more toward long duration fixed income securities. The allocation among domestic equities, international equities and fixed income securities is determined by the funded status of the Plan, prevailing market conditions and relative valuations between asset classes. The Plan's financial condition is monitored on an on-going basis by means of monthly funding reviews, quarterly investment portfolio reviews, an annual independent actuarial valuation, and periodic asset/liability studies.

Effective January 1, 2008, the Society adopted the Financial Accounting Standards Board's Accounting Standard Codification on Plan Accounting – Defined Pension Benefit Plans and all subsequent amendments effective for 2009. The standard, as amended, establishes a framework for measuring fair value and expands disclosures about such fair value measurements. See footnote 9 for more information on the standard.

The Society utilizes the best information available in measuring fair value and financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The adoption of the standard did not have any impact on the plan's financial results.

The following table summarizes the 2010 valuation of the Society's pension plan assets according to the classification hierarchy:

Fair Value of Pension Plan Assets For The Period Ended December 31, 2010

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	\$ 8,460,000	\$ (2,728,000)	\$ 11,188,000	\$ -
Fixed Income - U.S. Treasury Securities	84,149,000	77,490,000	6,659,000	-
Fixed Income - U.S. Government Agency Securities	3,985,000	-	3,985,000	-
Fixed Income - Asset Backed Securities	487,000	-	487,000	-
Fixed Income - Mortgage Backed Securities	5,205,000	-	5,205,000	-
Fixed Income - Corporate Debt Securities	120,812,000	-	120,812,000	-
Fixed Income - International Debt Securities	21,376,000	-	21,376,000	-
Fixed Income - Municipals	40,430,000	-	40,430,000	-
Equity - Domestic issues	32,684,000	32,684,000	-	-
Common Collective Trusts:				
Domestic Equity	91,088,000	-	91,088,000	-
International Equity	60,935,000	-	60,935,000	-
Registered Investment Company				
Convertible Bond Fund	89,000	89,000	-	-
Collateral Received Under Securities Lending Agreement	30,315,000	30,315,000	-	-
Total Assets Measured At Fair Value	\$ 500,015,000	\$ 137,850,000	\$ 362,165,000	\$ -
Financial Liabilities				
Payable Under Securities Lending Agreement	\$ 30,315,000	30,315,000	-	-
Total Liabilities Measured At Fair Value	\$ 30,315,000	\$ 30,315,000	\$ -	\$ -

The following table summarizes the 2009 valuation of the Society's pension plan assets according to the classification hierarchy:

Fair Value of Pension Plan Assets For The Period Ended December 31, 2009

	Total	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Financial Assets				
Cash Equivalents	\$ (1,500,000)	\$ (14,803,000)	\$ 13,303,000	\$ -
Fixed Income - U.S. Treasury Securities	65,137,000	65,137,000	-	-
Fixed Income - U.S. Government Agency Securities	1,982,000	-	1,982,000	-
Fixed Income - Asset Backed Securities	2,476,000	-	2,476,000	-
Fixed Income - Mortgage Backed Securities	3,325,000	-	3,325,000	-
Fixed Income - Corporate Debt Securities	125,112,000	81,000	125,031,000	-
Fixed Income - Municipals	31,602,000	-	31,602,000	-
Equity - Domestic Issues	119,697,000	30,475,000	89,222,000	-
Equity - Foreign Issues	64,443,000	-	64,443,000	-
Collateral Received Under Securities Lending Agreement	16,801,000	14,954,000	1,847,000	-
Total Assets Measured At Fair Value	\$ 429,075,000	\$ 95,844,000	\$ 333,231,000	\$ -
Financial Liabilities				
Payable Under Securities Lending Agreement	\$ 16,801,000	\$ 14,954,000	\$ 1,847,000	-
Total Liabilities Measured At Fair Value	\$ 16,801,000	\$ 14,954,000	\$ 1,847,000	\$ -

The financial futures contracts had a notional value of \$13,451,000 and \$83,913,000 at December 31, 2010 and 2009, respectively.

The Society has credit default swaps outstanding. The following tables provide the detail for those swaps as of December 31, 2010 and 2009, respectively.

Credit Default Swaps Outstanding at December 31, 2010

Defined Benefit Plan

Cusip	Description	Counterparty	Fund Receives/Pro vides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC01T87	CAMERON INTL NS BP DUB	Deutsche Bank AG	Receives	-82.00%	CAMERON INTL CORP GLBL SR NT	\$ -	Quarterly	7/11/2008	9/20/2018	USD	\$ 700,000	\$ 5,000
SWPC791C4	CAPITAL ONE FINL NEGB SNR S* BP JPM	JP Morgan Chase Bank, N.A.	Receives	-100.00%	CAPITAL ONE FINL CO SR NT	90,000	Quarterly	3/20/2009	6/20/2014	USD	2,000,000	(95,000)
SWPC45788	CDX HY8 5Y 25-35% BP CBK	Citibank NA	Receives	-163.00%	REFERENCE INDEX	-	Quarterly	9/20/2007	6/20/2012	USD	100,000	(1,000)
SWPC611E8	CDX IG13 10Y SP BRC	Barclays Bank PLC	Provides	100.00%	REFERENCE INDEX	(86,000)	Quarterly	9/21/2009	12/20/2019	USD	12,000,000	86,000
SWPC201J3	CDX IG15 5Y SP BOA	Bank of America NA	Provides	100.00%	REFERENCE INDEX	(143,000)	Quarterly	9/20/2010	12/20/2015	USD	34,200,000	381,000
SWPC205J9	CDX IG15 5Y SP CBK	Citibank NA	Provides	100.00%	REFERENCE INDEX	(578,000)	Quarterly	9/20/2010	12/20/2015	USD	139,300,000	1,548,000
SWPC82310	CDX IG9 10Y BP BRC	Barclays Bank PLC	Receives	-80.00%	REFERENCE INDEX	3,000	Quarterly	9/21/2007	12/20/2017	USD	290,000	4,000
SWPC81239	CDX IG9 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-80.00%	REFERENCE INDEX	11,000	Quarterly	9/21/2007	12/20/2017	USD	484,000	1,000
SWPC684C4	MACYS INC NEGB SNR S* BP RYL	Royal Bank of Scotland PLC	Receives	-100.00%	MACYS INC	57,000	Quarterly	3/20/2009	12/20/2016	USD	1,200,000	(21,000)
SWPC25913	MARRIOTT INTERNATIONAL NEGB NS BP BOA	Bank of America NA	Receives	-173.00%	MARRIOTT INTL SR NT	-	Quarterly	2/16/2008	6/20/2017	USD	1,400,000	(69,000)
SWPC66354	NEWELL RUBBERMAID NS BP NEGB RYL	Royal Bank of Scotland PLC	Receives	-49.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/2007	6/20/2017	USD	300,000	13,000
SWPC57452	NEWELL RUBBERMAID NS BP NEGB UAG	UBS AG STAMFORD	Receives	-48.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/2007	6/20/2017	USD	200,000	9,000
SWPC30F99	REYNOLDS AMERICAN NS BP BRC	Barclays Bank PLC	Receives	-120.00%	REYNOLDS AMERICAN INC GLBL CO GTD	-	Quarterly	7/10/2008	6/20/2013	USD	700,000	(11,000)
SWPC726C4	SEMPRA ENERGY NT NEGB SNR S* BP CBK	Citibank NA	Receives	-100.00%	SEMPRA ENERGY NT	(24,000)	Quarterly	3/20/2009	6/20/2016	USD	1,900,000	(1,000)
SWPC06L68	TYCO ELECTRONICS GROUP SA NEGB NS BP BOA	Bank of America NA	Receives	-110.00%	TYCO ELECTRONICS GROUP S SR NT	-	Quarterly	7/10/2008	3/20/2014	USD	1,200,000	(18,000)
Total Credit Default Swaps						<u>\$ (670,000)</u>					<u>\$ 195,974,000</u>	<u>\$ 1,831,000</u>

Credit Default Swaps Outstanding at December 31, 2009
Defined Benefit Plan

Cusip	Description	Counterparty	Fund Receives/Prov ides Credit Protection	In Exchange for Premium Payments of (per annum) %	Issuer	Premium Payment	Frequency	Effective Date	Maturity Date	Notional Currency	Notional Amount	Unrealized Gain/(Loss)
SWPC791C4	CAPITAL ONE FINL NEGB SNR S* BP JPM	JP Morgan Chase Bank, N.A.	Receives	-100.00%	CAPITAL ONE FINL CO SR NT	\$ 90,000	Quarterly	3/20/2009	6/20/2014	USD	\$ 2,000,000	\$ (94,000)
SWPC45788	CDX HY8 5Y 25-35% BP CBK	Citibank NA	Receives	-163.00%	REFERENCE INDEX	-	Quarterly	9/20/2007	6/20/2012	USD	100,000	3,000
SWPC168E5	CDX IG13 5Y SP BPS	BNP PARIBAS S.A.	Provides	100.00%	REFERENCE INDEX	72,000	Quarterly	9/21/2009	12/20/2014	USD	37,400,000	172,000
SWPC188E1	CDX IG13 5Y SP DUB	Deutsche Bank AG	Provides	100.00%	REFERENCE INDEX	(90,000)	Quarterly	9/21/2009	12/20/2014	USD	31,800,000	298,000
SWPC167E6	CDX IG13 5Y SP UAG	UBS AG	Provides	100.00%	REFERENCE INDEX	54,000	Quarterly	9/21/2009	12/20/2014	USD	37,400,000	190,000
SWPC82310	CDX IG9 10Y BP BRC	STAMFORD Barclays Bank PLC	Receives	-80.00%	REFERENCE INDEX	3,000	Quarterly	9/21/2007	12/20/2017	USD	290,000	6,000
SWPC81239	CDX IG9 10Y BP MYC	Morgan Stanley Capital Services Inc.	Receives	-80.00%	REFERENCE INDEX	11,000	Quarterly	9/21/2007	12/20/2017	USD	484,000	4,000
SWPC684C4	MACYS INC NEGB SNR S* BP RYL	Royal Bank of Scotland PLC	Receives	-100.00%	MACYS INC	57,000	Quarterly	3/20/2009	12/20/2016	USD	1,200,000	9,000
SWPC25913	MARRIOTT INTERNATIONAL NEGB NS BP BOA	Bank of America NA	Receives	-173.00%	MARRIOTT INTL SR NT	-	Quarterly	2/16/2008	6/20/2017	USD	1,400,000	(76,000)
SWPC66354	NEWELL RUBBERMAID NS BP NEGB RYL	Royal Bank of Scotland PLC	Receives	-49.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/2007	6/20/2017	USD	300,000	16,000
SWPC57452	NEWELL RUBBERMAID NS BP NEGB UAG	UBS AG STAMFORD	Receives	-48.00%	NEWELL RUBBERMAID INC NT	-	Quarterly	4/13/2007	6/20/2017	USD	200,000	10,000
SWPC30F99	REYNOLDS AMERICAN NS BP BRC	Barclays Bank PLC	Receives	-120.00%	REYNOLDS AMERICAN INC GLBL CO GTD	-	Quarterly	7/10/2008	6/20/2013	USD	700,000	-
SWPC726C4	SEMPRA ENERGY NT NEGB SNR S* BP CBK	Citibank NA	Receives	-100.00%	SEMPRA ENERGY NT	(24,000)	Quarterly	3/20/2009	6/20/2016	USD	1,900,000	(26,000)
SWPC041E8	SLM CORP (SALLIE MAE) SNR S* SP DUB	Deutsche Bank AG	Provides	500.00%	SLM CORP	(72,000)	Quarterly	6/22/2009	9/20/2010	USD	900,000	82,000
SWPC06L68	TYCO ELECTRONICS GROUP SA NEGB NS BP BOA	Bank of America NA	Receives	-110.00%	TYCO ELECTRONICS GROUP S SR NT	-	Quarterly	7/10/2008	3/20/2014	USD	1,200,000	(28,000)
Total Credit Default Swaps						<u>\$ 101,000</u>					<u>\$ 117,274,000</u>	<u>\$ 566,000</u>

As of December 31, 2010 fair value estimates for investment funds, whose fair value is calculated based on net asset value per share are in the table below. There were no unfunded commitments.

	<u>Fair Value</u>	<u>Redemption Frequency (If Currently Eligible)</u>	<u>Notice Period</u>
Financial Assets			
Common Collective Trusts:			
Domestic Equity	\$ 91,088,000	Daily	1 day
International Equity	60,935,000	Bi-monthly	3 days
Registered Investment Company			
Convertible Bond Fund	89,000	Daily	Same day
Total	\$ 152,112,000		

Cash Contribution

The Society expects to contribute approximately \$20,000,000 to its defined benefit pension plan in 2011.

Projected Benefit Payments

The Society expects to make the following benefit payments in future years:

	<u>Projected Pension Payments</u>	<u>Projected Postretirement Medical Payments</u>
Fiscal Year 2011	\$ 29,946,000	\$ 2,896,000
Fiscal Year 2012	31,283,000	2,989,000
Fiscal Year 2013	32,939,000	3,056,000
Fiscal Year 2014	34,527,000	3,105,000
Fiscal Year 2015 - 2019	36,152,000	3,137,000
Fiscal Year 2016 - 2020	201,118,000	16,048,000

Defined Contribution Retirement Plan

The Society has a 401(a) defined contribution retirement plan available to substantially all employees. Employees may make contributions up to the lesser of \$49,000, less the Society's basic contribution and match, or 100% of base compensation, with some restrictions. In addition, employees may make contributions up to 100% of base pre-tax compensation, or after-tax compensation as Roth contributions, subject to certain IRS limits, into an ACS ERISA 403(b) Plan. The Society provides matching funds at the rate of 50% up to the first 6% of base compensation for participants. Employer contributions to the Defined Contribution Retirement Plan totaled approximately \$13,614,000 and \$4,116,000 in 2010 and 2009, respectively.

Supplemental Retirement Plan

The Society established a nonqualified, supplemental retirement plan effective January 1, 1995, covering certain employees. Plan participants are entitled to benefits, once vested, based upon actuarially determined amounts designed to replace pension benefits lost due to annual compensation limits imposed by the Internal Revenue Service Code. Vested benefits are payable in March of each year. The Society's expense for the supplemental retirement plan totaled \$171,000 and \$394,000 for the years ended December 31, 2010 and 2009, respectively.

11. OPERATING LEASES

The Society leases office facilities as well as office and equipment under operating leases with original lease terms ranging from 3 to 10 years. One of the Society's operating leases provide for a renewal option term of 5 years at their fair rental value at the time of renewal. The Society has two types of office lease agreements for which payments are received. The first is with three organizations that lease space in a building owned by the Society. The other agreements are with third parties that sublet office space in which the Society is the primary lessee. The third party leases expired in November and were not renewed as the Society did not renew the primary lease. The remaining lease terms range from 3 to 10 years.

At December 31, 2010, future lease payments to be made by the Society, and future lease receipts from tenants, under noncancelable operating leases were as follows:

<u>Years Ending December 31</u>	<u>Lease Payments To Be Made</u>	<u>Lease Payments To Be Received</u>
2011	\$ 414,000	\$ 69,000
2012	393,000	55,000
2013	294,000	9,000
2014	23,000	-
2015	-	-
	<u>\$ 1,124,000</u>	<u>\$ 133,000</u>

Rent expense for operating leases was approximately \$1,538,000 in 2010 and \$2,053,000 in 2009.

12. INCOME TAXES

The Society is generally exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). However, the Society is subject to taxation on any net unrelated business income. At December 31, 2010, the Society had a net operating loss carryforward for income tax purposes of approximately \$4,091,000 which expires over the years 2009 through 2028. A deferred tax asset has not been recorded for the net operating loss because the Society has determined it is not recoverable as of December 31, 2010.

The Society evaluated its tax positions under the Financial Accounting Standards Board's Codification on Income Taxes on tax returns filed, as well as un-filed tax return positions. It is management's position that it is more-likely-than-not that its tax positions do not require the Society to record a deferred tax asset.

13. COMMITMENTS AND CONTINGENCIES

In 2002, ACS brought suit against three former employees and the company they founded in a case styled, *American Chemical Society v. Leadscope, Inc., et al.*, Case No. 02-CVC-07-7653 (Franklin County, Ohio Court of Common Pleas). Leadscope, Inc., and the individual defendants counterclaimed, seeking damages in excess of \$50 million. Trial in this matter commenced on February 4, 2008. The jury rendered its verdict on March 27, 2008, rejecting the Society's claims of breach of employment agreements and misappropriation of trade secrets, and finding against the Society on three separate counts: defamation, tortious interference with business relations, and unfair competition. The jury's award to Leadscope, Inc. and the three individual defendants/counterclaim plaintiffs (referred to collectively as "Leadscope") totaled \$26.5 million.

Following the jury verdict, Leadscope filed motions seeking prejudgment interest, attorneys' fees, and expenses. Subsequently, Leadscope withdrew the motion for prejudgment interest. Through the attorneys' fees motion, Leadscope sought an additional \$11 million. On February 6, 2009, the Trial Court awarded Leadscope fees and expenses of \$7.9 million. Post-judgment interest on the \$26.5 million judgment accrues at the rate of 8%. Post-

judgment interest on the \$7.9 million award of fees and expenses accrues at the rate of 5%. Both rates are "simple interest" and cumulatively, total approximately \$6.5 million as of December 31, 2010.

The Society filed an appeal on November 20, 2008 to the Ohio Court of Appeals, Tenth District (the "Appeals Court"). The Appeals Court conducted an oral argument on October 6, 2009. On June 15, 2010, the Appeals Court issued its opinion affirming the trial court's judgment, *i.e.*, the Court did not grant any of the relief ACS had sought in its appeal. See *American Chemical Society v. Leadscope, Inc.*, Slip Op., 2010 WL 2396544 (Ohio. App, June 15, 2010).

ACS filed a Notice of Appeal and Memorandum in Support of Jurisdiction with the Ohio Supreme Court on July 30, 2010. The Ohio Supreme has discretion as to whether to hear the appeal. On October 27, 2010, the Ohio Supreme Court granted the Society's request to hear the case. See *American Chemical Society v. Leadscope, Inc.*, 126 Ohio St. 3d 1615, 935 N.E. 2d 854 (2010) (Table). Accordingly, the full seven-member Ohio Supreme Court will review all of the issues raised by ACS. The Society's brief is due on February 28, 2011. No date has been set for the oral argument before the Court. It is not known when the Court will render its decision.

The Society is vigorously contesting the liability award in this case and management believes the appeal to the Ohio Supreme Court provides ACS with a reasonable possibility of obtaining relief from all or part of the judgment. In addition, the Society has insurance coverage which, depending on the Court's ruling, could cover a significant portion of any remaining award. Accordingly, the Society's potential liability remains uncertain.

The Society is also involved in various other claims and legal actions arising in the ordinary course of business. Based upon information currently available, management believes the ultimate disposition of these matters will not have a material adverse effect on the Society's financial position, change in net assets or cash flows.

14. SUBSEQUENT EVENTS

The Society has performed an evaluation of subsequent events through February 24, 2011, which is the date the financial statements were available to be issued, noting no events which affect the financial statements as of December 31, 2010.