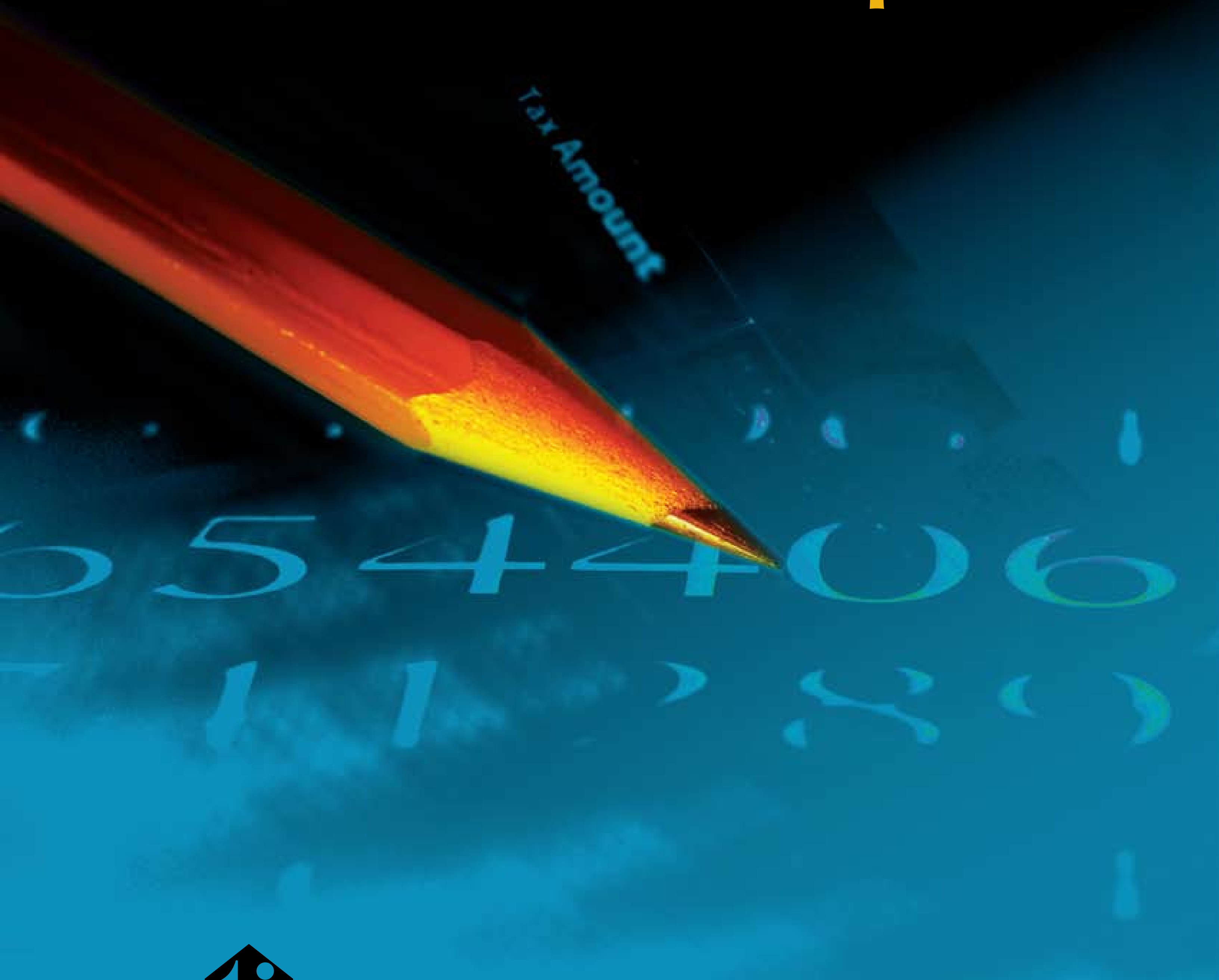
2010
Annual Report



Tax Executives Institute, Inc.

A Message from the President

Neil D. Traubenberg
2009-2010 International President

What a year it has been for Tax Executives Institute. On the educational, networking, and advocacy fronts, the Institute has had a busy year, and a year of accomplishment. TEI held conferences, seminars, and courses that provided our members with high-quality, cost-effective training. It launched a new website that broadened and strengthened the network of in-house tax professionals that now circles the globe. And our advocacy on behalf of the business tax community remained second to none. From comments on the proposed Schedule UTP to congressional testimony on state tax apportionment issues, from submissions on the harmonization of Canada's provincial sales taxes to comments on the OECD's business profits and transfer pricing guidelines, from liaison meetings with the U.S. Department of Treasury, Internal Revenue Service, and their Canadian counterparts, to reinstated meetings with the Federation of Tax Administrators and Multistate Tax Commission, the Institute has met the challenges of being the preeminent association of corporate tax executives worldwide. This report summarizes our efforts.

Yes, We Can . . . and Did

The goals established by TEI's Board of Directors in August 2009 focused on a single theme, "Yes, we can," and on maintaining the level of excellence that our members have come to expect from TEI: Remaining the preeminent organization for business tax professionals. Maintaining our tradition of providing comprehensive, cost-effective education. Effectively advocating the membership's views at all levels of government.

With the economic recession and resultant pressure on tax department budgets, our success was not guaranteed except by one thing: the Institute's 65 years of experience of responding effectively to members needs. Our founders and their successors did not flinch or withdraw, and the Institute's Board was determined that this past year we would not either. Faced with the potential effect of reduced travel and training budgets on attendance at Institute programs, our local chapters stepped up and expanded their offerings, ensuring that our members would stay up to date. At the Institute level, we broadened the scope of TEI's webinars and other distance learning programs.

Among TEI's greatest strengths is the breadth of our membership, in terms of the members' varying experience levels, the sizes of their departments and companies, and their industries' often divergent interests. Recognizing the challenge of being "all things to all people," TEI focused separately on enhancing educational and networking opportunities for members during their first five years of membership (for example, through our week-long training programs and chapter mentoring programs), as well as on serving the distinct needs of TEI's chief tax officers, whose demands extend beyond technical tax matters to management issues such as interacting with their companies' boards of directors and their outside auditors. Through local and Institute-level efforts, we may progress in both areas, but because the job is never done, I am pleased that the goals will be carried over to the coming year.

When I assumed office in August 2009, my expectation was that the majority of the Institute's time on advocacy matters this year would be dedicated to tax reform in the United States. In preparation for what we thought would come, the Institute developed a document entitled *Guideposts to Tax Reform*, which we filed in October with the Tax Reform Commission chaired by Paul Volcker. *Guideposts* is a top-notch piece of work, especially given TEI's diversity and our consensus model of decision-making. Alas, the lagging economy and other events (such as the prolonged debates over health care and financial reform) caused the Volcker Commission to recede from the headlines and, when its report was released in August 2010, it created barely a ripple, in part because of the creation in February 2010 of the National Commission on Fiscal Responsibility and Reform, whose report is due to be filed in December 2010. What took the place of tax reform on TEI's advocacy agenda was IRS initiatives relating to "transparency," as well as work on myriad other technical projects.

Of Transparency and Uncertain Tax Positions

In November 2009, IRS Commissioner Douglas Shulman began a dialogue within and among corporate boards of directors on what role the board plays in setting and overseeing the company's tax risk management policy. The premise of the Commissioner's remarks to the National Association of Corporate Directors is that that the board of directors should play a role — a concept I agree with: With tax generally controlling 40 percent of a corporation's bottom line, the board *should* have an awareness of the company's philosophy and its appetite for tax risk. Few members likely disagree. That said, there was sharp disagreement within TEI's membership with certain aspects of the Commissioner's remarks, in particular, the suggestion that the board consider bringing in an independent third-party adviser to review the company's positions and to provide advice to the Board. Shortly after the Commissioner's remarks, other members of the Institute's leadership and I met with the Commissioner, Chief Counsel Bill Wilkins, LMSB Commissioner Heather Maloy, and several other IRS officials to express our concerns about the risk of the IRS's painting with too broad a brush. This theme was elaborated on during our annual liaison meetings with the IRS and LMSB as well as the public hearing of the IRS Oversight Board.

It turns out that the Commissioner's November "conversation with the Board room" was only part of the IRS's efforts on transparency. In January, Commissioner Shulman announced the IRS's intention to require taxpayers to disclosure uncertain tax positions on a new Schedule UTP. There is scarcely a tax professional working today who is not familiar with Announcement 2010-9, which set forth a draft disclosure form and instructions.

Announcement 2010-9 quickly became *the* topic on the Institute's education, demanding time at both the Institute's liaison meetings and its educational programs (including the Midyear Conference and our annual audits and appeals and financial reporting seminars). To a large degree, those events were mere prologue to the Institute's efforts to prepare comments on new Schedule UTP, a process that culminated on May 28 when the Institute submitted a 44-page position paper to the IRS. I commend the Institute's comments (which are available on TEI's website) to all members. The submission represents TEI at its best: collaborative, thoughtful, and persuasive.

TEI received more than 200 comments from members on this matter. To be sure, some were short and perhaps not so sweet; some were passionate, even visceral. But most were thoughtful, analytical, and constructive. Given the potentially transcendent significance of Schedule UTP on practically all business taxpayers, we involved four different committees in the project. Working with the Institute's Federal, International, IRS Administrative Affairs, and Financial Reporting Committees, TEI's staff did an exemplary job of distilling the comments down into a meaningful, well-reasoned document.

My pride about our submission notwithstanding, my point in describing our response to Announcement 2010-9 is not just about the importance of Schedule UTP to TEI members and their companies. It's about TEI's nimbleness, its professionalism, and its ability to respond to whatever the economy, the tax authorities, or outside events throw at it. It is proof positive that TEI can make a difference.

Continuing Education

During the past year, TEI held a full complement of conferences, seminars, courses, and telephone/web conferences. All in all, more than 1,500 individuals registered for Institute-level programs, not including those members who signed up for our distance learning programs. Our conferences continued to attract top-level keynote speakers, such as House Ways and Means Committee Ranking Member Richard Neal, IRS Commissioner Douglas Shulman, IRS Chief Counsel William Wilkins, Deputy Assistant Treasury Secretaries Emily McMahon and Stephen Shay, LMSB Commissioner Heather Maloy, and LMSB Deputy Commissioners Paul DeNard and Michael Danilack.

While the conferences are the hallmarks of TEI's educational curriculum, we also held four week-long courses and three technical seminars — including an international planning seminar held during a record-breaking snow storm that nearly shut down the East Coast of the United States. My thanks to TEI's committees and staff who worked diligently to plan, promote, and execute these programs.

New Website Launched

Another development deserves mention: the launch of TEI's new website in March. The unveiling of the new site marked not so much the end of a process, but at best its midpoint. The new site retains important features of its predecessor, and uses new technological features to strengthen the Institute's network of corporate tax executives. We are gratified by the increased traffic we have experienced and the compliments we have received. We also appreciate the critical comments, which have helped us focus our debugging efforts as well as our commitment to suffusing the site with more timely and useful information. My thanks to everyone in the membership and the staff who have contributed to the website's development and whose continued engagement will help us make it better.

Other Developments

With Announcement 2010-9 playing such an important role in TEI's advocacy work this part year, it would be easy to overlook all the other fine work of the Institute's technical committees. It would be easy, but short-sighted. Among other topics demanding — and receiving — attention were the following:

- The applicability of the work-product privilege to tax accrual workpapers (*Textron*)
- The tax compliance provisions of the Health Care Reform Act
- IAS 12
- Harmonization Regulations in the Provinces of Ontario and British Columbia
- Updates of the IRS Joint Audit Planning Process
- 2009 and 2010 Pre-Budget Consultations in Canada
- Proposed Combined Reporting Regulations in Wisconsin, Penalty Regulations in California, Nexus Regulations in Colorado, and Emergency Sourcing Regulations in Washington

In addition to our advocacy work, TEI continued its tradition of strong educational programs at the chapter level, and it worked to increase its network of tax executives by expanding from Europe and Asia into the Middle East and Africa. While this expansion was slowed by the global recession, we remain well positioned for future growth. We also continued our Social Responsibility Initiative, making five grants to worthy organizations. I would be remiss if I did not recognize the first recipient of the Institute's Pro Bono Award, Alan Sankin of the Santa Clara Valley Chapter. His good efforts should inspire us all to volunteer not only our money but our time to charitable endeavors.

Conclusion

When I became Institute president, I told the Board of Directors that I was committed to having TEI remain the preeminent organization for business tax professionals. With the help of countless members — from chapter presidents to committee chairs to board members — and a dedicated staff, we have done more than an admirable job with that goal. TEI is a volunteer organization and is dependent on each and every member to maintain the vibrancy and significance of the organization.

Last, but certainly not least, I want to thank my wife, Joan, and the rest of our family for their support.

It has been an honor for me to serve as TEI President. Thank you.

N. Traubenberg

Neil D. Traubenberg
2009-2010 International President

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Audited Consolidating Financial Statements

Tax Executives Institute, Inc. and TEI Education Fund

June 30, 2010

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Independent Auditor's Report

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

We have audited the accompanying consolidating statements of financial position of Tax Executives Institute, Inc. and TEI Education Fund (collectively, the Organization) as of June 30, 2010 and 2009, and the related consolidating statements of activities and cash flows for the years then ended. These consolidating financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidating financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidating financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidating financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidating financial statements referred to above present fairly, in all material respects, the individual and consolidated financial positions of Tax Executives Institute, Inc. and TEI Education Fund as of June 30, 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.

Tate & Tryon

Washington, DC
July 21, 2010

Consolidating Statements of Financial Position
Years Ended June 30, 2010 and 2009

See notes to the consolidating financial statements.

	2010 TEI	2010 TEIF	2010 Total	2009 TEI	2009 TEIF	2009 Total
Assets						
Cash and cash equivalents - Note B	**$ 834,963**	**$ 117,273**	**$ 952,236**	$ 411,877	$ 112,496	$ 524,373
Short-term investments - Notes B & C	**6,099,829**		**6,099,829**	7,884,672		7,884,672
Accounts receivable	**64,188**		**64,188**	90,712		90,712
Due (to) from affiliate	**(4,882)**	**4,882**	**-**	(3,897)	3,897	-
Prepaid expenses	**55,945**		**55,945**	429,472		429,472
Long-term investments - Notes B & C	**4,921,734**		**4,921,734**	3,504,675		3,504,675
Investments held for deferred compensation - Notes C & D	**45,807**		**45,807**	39,124		39,124
Property and equipment - Note E	**452,021**		**452,021**	148,639		148,639
Total assets	**$ 12,469,605**	**$ 122,155**	**$ 12,591,760**	$ 12,505,274	$ 116,393	$ 12,621,667
Liabilities and net assets						
Accounts payable	**102,853**	**-**	**102,853**	106,816	-	106,816
Accrued liabilities	**168,383**		**168,383**	142,485		142,485
Investment trades pending payable	**991,371**		**991,371**	974,665		974,665
Deferred revenue - Note F	**2,945,348**		**2,945,348**	2,722,204		2,722,204
Deferred rent - Note I	**234,162**		**234,162**	177,045		177,045
Deferred compensation - Note D	**45,807**		**45,807**	39,124		39,124
Total liabilities	**4,487,924**	**-**	**4,487,924**	4,162,339	-	4,162,339
Commitment and contingency - Note I			**-**			-
Net assets - unrestricted	**7,981,681**	**122,155**	**8,103,836**	8,342,935	116,393	8,459,328
Total liabilities and net assets	**$ 12,469,605**	**$ 122,155**	**$ 12,591,760**	$ 12,505,274	$ 116,393	$ 12,621,667

Consolidating Statements of Activities
Years Ended June 30, 2010 and 2009

See notes to the consolidating financial statements.

	2010			2009		
	TEI	**TEIF**	**Total**	**TEI**	**TEIF**	**Total**
Revenue						
Sponsorships	**$ 1,527,550**	**$ -**	**$ 1,527,550**	$ 1,810,850	$ -	$ 1,810,850
Continuing education	**1,431,000**		**1,431,000**	1,565,810		1,565,810
Membership dues	**1,359,906**		**1,359,906**	1,403,514		1,403,514
Royalty	**515,543**		**515,543**	606,025		606,025
Publications	**359,043**		**359,043**	407,337		407,337
Investment income - Note C	**125,938**	**47**	**125,985**	277,583	46	277,629
Initiation Fees	**88,400**		**88,400**	107,800		107,800
Other	**12,600**		**12,600**	7,618		7,618
Management Fees - Note G	**(10,761)**	**10,761**	**-**	(8,726)	8,726	-
Total revenue	**5,409,219**	**10,808**	**5,420,027**	6,177,811	8,772	6,186,583
Expense						
Program Services						
Continuing education	**1,723,878**	**4,305**	**1,728,183**	1,979,956	6,887	1,986,843
Committee and liaison	**582,230**		**582,230**	582,657		582,657
Membership services and development	**478,812**		**478,812**	435,962		435,962
Publications	**399,301**		**399,301**	454,692		454,692
Dues transferred to chapters	**200,550**		**200,550**	206,220		206,220
Total program services	**3,384,771**	**4,305**	**3,389,076**	3,659,487	6,887	3,666,374
Supporting services						
General and administrative	**2,361,702**	**741**	**2,362,443**	2,206,123	1,587	2,207,710
Total expense	**5,746,473**	**5,046**	**5,751,519**	5,865,610	8,474	5,874,084
Change in net assets before special project expense	**(337,254)**	**5,762**	**(331,492)**	312,201	298	312,499
Special project expense	**(24,000)**		**(24,000)**	(10,937)		(10,937)
Change in net assets	**(361,254)**	**5,762**	**(355,492)**	301,264	298	301,562
Net assets, beginning of year	**8,342,935**	**116,393**	**8,459,328**	8,041,671	116,095	8,157,766
Net assets, end of year	**$ 7,981,681**	**$ 122,155**	**$ 8,103,836**	$ 8,342,935	$ 116,393	$ 8,459,328

Consolidating Statements of Cash Flows
Years Ended June 30, 2010 and 2009

See notes to the consolidating financial statements.

	2010			2009		
	TEI	TEIF	Total	TEI	TEIF	Total
Cash flows from operating activities						
Change in net assets	$ (361,254)	$ 5,762	$ (355,492)	$ 301,264	$ 298	$ 301,562
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activites						
Depreciation and amortization	75,693		75,693	74,345	656	75,001
Loss on disposal of property and equipment			-	2,846		2,846
Net loss on investments	61,114		61,114	37,726		37,726
Changes in assets and liabilities:						
Accounts receivable	26,524		26,524	(42,117)		(42,117)
Due (to) from affiliate	985	(985)	-	3,897	(3,897)	-
Prepaid expenses	373,527		373,527	(337,004)		(337,004)
Accounts payable	(3,963)		(3,963)	92,278		92,278
Accrued liabilities	25,898		25,898	88,620		88,620
Deferred revenue	223,144		223,144	(476,974)		(476,974)
Deferred rent	57,117		57,117	74,411		74,411
Total adjustments	840,039	(985)	839,054	(481,972)	(3,241)	(485,213)
Net cash provided by (used in) operating activities	478,785	4,777	483,562	(180,708)	(2,943)	(183,651)
Cash flows from investing activities						
Proceeds from sale and maturity of investments	6,276,289		6,276,289	5,144,720		5,144,720
Purchases of investments	(5,952,913)		(5,952,913)	(5,105,088)		(5,105,088)
Purchases of property and equipment	(379,075)		(379,075)	(21,505)		(21,505)
Net cash (used in) provided by investing activities	(55,699)	-	(55,699)	18,127	-	18,127
Net increase (decrease) in cash and cash equivalents	423,086	4,777	427,863	(162,581)	(2,943)	(165,524)
Cash and cash equivalents, beginning of year	411,877	112,496	524,373	574,458	115,439	689,897
Cash and cash equivalents, end of year	$ 834,963	$ 117,273	$ 952,236	$ 411,877	$ 112,496	$ 524,373
Supplemental Disclosure of Cash Flow Information						
Cash paid during the year for income taxes	$ 10,624	$ -	$ 10,624	$ 15,223	$ -	$ 15,223

A. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

Prepaid Expenses: Prepaid expenses amounting to $429,472 at June 30, 2009 included progress payments of $319,474 relating to the development of a new database. During the year ended June 30, 2010, the database was completed and placed in service and the progress payments were reclassified to property and equipment.

Net assets: Unrestricted net assets include those net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by board designation. However, the Organization has no board designated net assets.

Reserve policy: TEI has established a reserve policy, the goal of which is to maintain minimum reserves equivalent to at least 50% of annual operating expenses. This goal has been exceeded and there are no current plans to increase the reserve except as a result of normal operations.

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

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

Uncertainty in income taxes: The Organization has adopted the accounting standard related to uncertain income tax positions. The standard requires that an uncertain income tax position must be more likely than not (greater than 50% likelihood to occur) before it is recognized in the consolidating financial statements. Furthermore, this standard requires that the amount recognized be the same as that which would be determined as a result of a review by tax authorities having all relevant information. During the year ended June 30, 2010, management did not identify any uncertain income tax positions. The Organization believes it is no longer subject to U.S. Federal, state, and local income tax examinations by taxing authorities for years before June 30, 2007.

Subsequent events: Subsequent events have been evaluated through July 21, 2010.

B. CONCENTRATIONS

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

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

C. INVESTMENTS

In accordance with generally accepted accounting principles, TEI uses the following prioritized input levels to measure fair value of financial instruments. The input levels used for valuing financial instruments are not necessarily an indication of risk.

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

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

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

The value, liquidity, and related income of the auction-rate preferred securities are sensitive to changes in economic conditions, including real estate value, delinquencies or defaults, or both, and may be adversely affected by shifts in the market's perception of the investments, auction failures, and changes in interest rates. TEI held 14 and 22 shares of $25,000 par value auction-rate preferred securities at June 30, 2010 and 2009, respectively. Management believes the shares will be redeemed at their carrying value.

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

2010	Total	Level 1	Level 2	Level 3
Short-term investments				
Money market funds	$ 1,681,055	$ 1,681,055	$ -	$ -
Certificates of deposit	3,044,524		3,044,524	
Government securities	1,024,250		1,024,250	
Auction-rate preferred securities	350,000		350,000	
Total short-term investments	6,099,829	1,681,055	4,418,774	-
Long-term investments				
Certificates of deposit	1,876,201		1,876,201	
Government securities	1,049,065		1,049,065	
Mutual Funds	1,996,468	1,996,468		
Total long-term investments	4,921,734	1,996,468	2,925,266	-
Investments held for deferred compensation (Note D)				
Mutual funds	45,807	45,807		
TOTAL	**$11,067,370**	**$ 3,723,330**	**$ 7,344,040**	**$ -**

2009	Total	Level 1	Level 2	Level 3
Short-term investments				
Money market funds	$ 1,993,556	$ 1,993,556	$ -	$ -
Certificates of deposit	3,657,709		3,657,709	
Government securities	1,683,407		1,683,407	
Auction-rate preferred securities	550,000		550,000	
Total short-term investments	7,884,672	1,993,556	5,891,116	-
Long-term investments				
Certificates of deposit	2,202,969		2,202,969	
Government securities	1,301,706		1,301,706	
Total long-term investments	3,504,675	-	3,504,675	-
Investments held for deferred compensation (Note D)				
Mutual funds	39,124	39,124		
TOTAL	**$11,428,471**	**$ 2,032,680**	**$ 9,395,791**	**$ -**

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

	2010	2009
TEI		
Interest	$ 187,052	$ 315,309
Net loss on Investments	(61,114)	(37,726)
	125,938	277,583
TEIF		
Interest	47	46
	$ 125,985	**$ 277,629**

D. RETIREMENT PLANS

Deferred compensation plan: TEI has a deferred compensation plan under Section 457(b) of the Internal Revenue Code, which covers a key employee. No contributions were made to the deferred compensation plan during either of the years ended June 30, 2010 and 2009, and management has determined that no future contributions will be made because of the establishment of the 401(k) Plan (see description below). However, participant balances will continue to accumulate earnings and losses. Deferred compensation liabilities amounted to $45,807 and $39,124 at June 30, 2010 and 2009, respectively.

Money purchase plan: TEI has a defined contribution money-purchase pension plan, which covers all eligible employees who meet age and length-of-service requirements. Under the plan, TEI's annual contribution amounts to 8% of each participant's compensation. Participants are fully vested after six years. TEI's contribution to the plan for the years ended June 30, 2010 and 2009, was $157,709 and $152,427, respectively.

401(k) plan: TEI has a defined contribution salary deferral and savings incentive plan, which covers all eligible employees who meet age and length of service requirements. Under the plan, TEI matches employee contributions as follows: 50% of the first 2% of compensation, and 25% of the next 4% of compensation up to the maximum contribution allowed by Internal Revenue Service limits. Participants are fully vested after five years. TEI's contribution to the plan for the years ended June 30, 2010 and 2009, was $34,789 and $32,436, respectively. TEI amended the plan effective July 1, 2009 to include automatic enrollment with an opt-out option.

E. PROPERTY AND EQUIPMENT

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

	2010	2009
Office furniture and equipment	$ 1,141,372	$ 762,298
Leasehold improvements	76,856	76,856
	1,218,228	839,154
Less accumulated depreciation and amortization	(766,207)	(690,515)
	$ 452,021	**$ 148,639**

TEIF's office furniture and equipment cost and accumulated depreciation amounted to $2,460 at June 30, 2010 and 2009.

F. DEFERRED REVENUE

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

	2010	2009
Membership dues	$ 1,212,857	$ 1,230,091
Sponsorships	1,110,000	898,000
Royalty	305,000	305,000
Seminars, schools, and conferences	293,100	263,175
Advertising	15,395	16,836
Subscriptions	8,996	9,102
	$ 2,945,348	**$ 2,722,204**

G. MANAGEMENT FEES

TEI pays TEIF management fees pursuant to a written agreement under which TEI agreed to administer the continuing education courses sponsored by TEIF. Under the agreement, TEI paid TEIF a percentage of its net income from the sponsored courses totaling $10,761 and $8,726 for the years ended June 30, 2010 and 2009, respectively.

H. CHAPTERS AND REGIONS

TEI has several chapters and regions located throughout the United States of America, Canada, Europe, and Asia. As stipulated in the Chapter Regulations, the activities of the chapters and regions are subject to 1) the policies adopted by TEI's board and 2) the general oversight of TEI's board. This oversight, however, does not constitute control in accordance with FASB ASC 958-810-25. Thus, the chapters and regions are not included in the accompanying consolidated financial statements. Aggregate chapter and region cash balances approximate $1,500,000 annually.

J. COMMITMENT AND CONTINGENCY

Office lease: TEI leases office space under a non-cancelable operating lease that expires February 2018. The lease contains annual escalations of the monthly base rent. In accordance with generally accepted accounting principles, the difference between cash payments required under the terms of the lease and rent expense has been reported as deferred rent in the accompanying consolidating statement of financial position. Deferred rent will be amortized on a basis to achieve straight-line rent expense over the life of the lease. The lease also contains a tenant improvement allowance which will also be amortized on a straight line basis over the term of the lease. Rent expense was approximately $481,100 and $474,500 for the years ended June 30, 2010 and 2009, respectively.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2011	$ 421,000
2012	439,900
2013	460,300
2014	482,200
2015	503,900
Thereafter	1,454,100
	$ 3,761,400

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