

The Lynde and Harry Bradley Foundation, Inc.

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007, and
Independent Auditors' Report

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The Lynde and Harry Bradley Foundation, Inc.:

We have audited the accompanying statements of financial position of The Lynde and Harry Bradley Foundation, Inc. (the "Foundation") as of December 31, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 2 to the financial statements, the financial statements include investments valued at \$221,421,000 (44% of total assets) and \$370,886,000 (42% of total assets) as of December 31, 2008 and 2007, respectively, whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on periodic financial statements received from fund managers.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2008 and 2007, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

May 28, 2009

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION AS OF DECEMBER 31, 2008 AND 2007 (000's omitted)

	2008	2007
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 20,522	\$ 15,518
ACCRUED INCOME RECEIVABLE	507	810
TAXES RECEIVABLE	736	502
NOTES RECEIVABLE	12	0
DUE FROM BROKERS FOR SECURITIES SOLD	693	853
COLLATERAL HELD FOR SECURITIES LOANED	19,267	58,598
INVESTMENTS — At fair value (cost of \$509,504 and \$618,860 at December 31, 2008 and 2007, respectively):		
Fixed income mutual funds	19,489	30,748
U.S. government and agency obligations	1,763	4,064
Corporate bonds	19,698	29,124
Mortgage-backed securities	4,229	6,664
Other asset-backed securities	5,105	7,329
Common and preferred stocks	179,542	361,517
Alternative investments	221,421	370,886
Other	<u>659</u>	<u>468</u>
Total investments	<u>451,906</u>	<u>810,800</u>
PROGRAM RELATED INVESTMENT	5,000	0
LAND, BUILDINGS, FURNITURE, AND FIXTURES — Net	<u>3,640</u>	<u>3,900</u>
TOTAL	<u>\$ 502,283</u>	<u>\$ 890,981</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued expenses	\$ 1,651	\$ 1,352
Grants payable	15,801	12,196
Due to brokers for securities purchased	310	1,152
Payable under securities loan agreements	20,305	58,598
Long-term grants payable	<u>2,716</u>	<u>2,716</u>
Total liabilities	38,067	76,014
UNRESTRICTED NET ASSETS	<u>464,216</u>	<u>814,967</u>
TOTAL	<u>\$ 502,283</u>	<u>\$ 890,981</u>

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENTS OF ACTIVITIES FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (000's omitted)

	2008	2007
UNRESTRICTED REVENUES AND GAINS:		
Investment activity:		
Interest and dividend income	\$ 12,599	\$ 18,152
Realized (loss) gain on investments	(66,015)	71,025
Unrealized (loss) gain on investments	(250,576)	24,852
Less investment expenses	<u>(4,149)</u>	<u>(13,577)</u>
Total investment activity	(308,141)	100,452
Donor intent contributions	<u>517</u>	<u>1,975</u>
Total unrestricted (losses) revenues and gains	<u>(307,624)</u>	<u>102,427</u>
GRANTS AND EXPENSES:		
Grants approved for charitable purposes — net	37,539	37,818
General and administrative	5,949	5,555
Excise and income taxes	<u>(361)</u>	<u>2,022</u>
Total grants and expenses	<u>43,127</u>	<u>45,395</u>
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(350,751)	57,032
NET ASSETS:		
Beginning of year	<u>814,967</u>	<u>757,935</u>
End of year	<u>\$ 464,216</u>	<u>\$ 814,967</u>

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007 (000's omitted)

	2008	2007
OPERATING ACTIVITIES:		
(Decrease) increase in unrestricted net assets	\$ (350,751)	\$ 57,032
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation	260	296
Net realized losses (gains) on investments	66,015	(71,025)
Net unrealized losses (gains) on investments	250,576	(24,852)
Grants paid with stock transfers	9,251	4,849
Decrease in accrued income receivable	303	15
Increase in taxes receivable	(234)	(502)
Increase in notes receivable	(12)	
Decrease in due to/from brokers for securities purchased/sold — net	(682)	(19)
Increase (decrease) in accrued expenses	299	(599)
Increase in grants payable	3,605	746
Decrease in long term grants payable	<u>(2,716)</u>	<u>(2,601)</u>
Net cash used in operating activities	<u>(24,086)</u>	<u>(36,660)</u>
INVESTING ACTIVITIES:		
Proceeds from the sale of investments	250,715	278,276
Purchase of investments	(216,625)	(241,725)
Issuance of program related investment	(5,000)	
Purchase of property and equipment		<u>(80)</u>
Net cash provided by investing activities	<u>29,090</u>	<u>36,471</u>
FINANCING ACTIVITIES — Payments on notes payable		<u>(143)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,004	(332)
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>15,518</u>	<u>15,850</u>
End of year	<u>\$ 20,522</u>	<u>\$ 15,518</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	<u>\$</u>	<u>\$ 2</u>
Cash payments for excise and income taxes	<u>\$ 552</u>	<u>\$ 3,105</u>

See notes to financial statements.