

The Lynde and Harry Bradley Foundation, Inc.

Financial Statements as of and for the
Years Ended December 31, 2009 and 2008, 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, 2009 and 2008, 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 \$253,972,000 (39% of total assets) and \$221,421,000 (44% of total assets) as of December 31, 2009 and 2008, 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, 2009 and 2008, 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

June 8, 2010

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

AS OF DECEMBER 31, 2009 AND 2008

(Dollar in thousands)

	2009	2008
ASSETS		
CASH AND CASH EQUIVALENTS	\$ 45,326	\$ 20,522
ACCRUED INCOME RECEIVABLE	537	507
TAXES RECEIVABLE	700	736
NOTES RECEIVABLE	12	12
DUE FROM BROKERS FOR SECURITIES SOLD	30	693
COLLATERAL HELD FOR SECURITIES LOANED	29,726	19,267
INVESTMENTS — At fair value (cost of \$470,605 and \$509,504 at December 31, 2009 and 2008, respectively):		
Fixed income mutual funds	32,210	19,489
U.S. government and agency obligations	3,725	1,763
Corporate bonds	24,040	19,698
Mortgage-backed securities	6,594	4,229
Other asset-backed securities	4,244	5,105
Common and preferred stocks	246,221	179,542
Alternative investments	253,972	221,421
Other	751	659
Total investments	571,757	451,906
PROGRAM RELATED INVESTMENT	2,500	5,000
LAND, BUILDINGS, FURNITURE, AND FIXTURES — Net	3,445	3,640
TOTAL	\$ 654,033	\$ 502,283
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accrued expenses	\$ 1,320	\$ 1,651
Grants payable	10,312	15,801
Due to brokers for securities purchased	22,090	310
Payable under securities loan agreements	29,776	20,305
Total liabilities	63,498	38,067
NET ASSETS:		
Unrestricted	560,535	464,216
Temporarily restricted	30,000	-
Total net assets	590,535	464,216
TOTAL	\$ 654,033	\$ 502,283

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2009 (Dollar in thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS:			
Investment activity:			
Interest and dividend income	\$ 8,823	\$ -	\$ 8,823
Realized loss on investments	(25,376)	-	(25,376)
Unrealized gain on investments	159,738	-	159,738
Investment expenses	<u>(2,311)</u>	<u>-</u>	<u>(2,311)</u>
Total investment activity	140,874	-	140,874
Contributions	-	30,000	30,000
Donor intent contributions	<u>876</u>	<u>-</u>	<u>876</u>
Total revenues and gains	<u>141,750</u>	<u>30,000</u>	<u>171,750</u>
GRANTS AND EXPENSES:			
Grants approved for charitable purposes — net	38,733	-	38,733
General and administrative	6,459	-	6,459
Excise and income taxes	<u>239</u>	<u>-</u>	<u>239</u>
Total grants and expenses	<u>45,431</u>	<u>-</u>	<u>45,431</u>
INCREASE IN NET ASSETS	96,319	30,000	126,319
NET ASSETS:			
Beginning of year	<u>464,216</u>	<u>-</u>	<u>464,216</u>
End of year	<u>\$ 560,535</u>	<u>\$ 30,000</u>	<u>\$ 590,535</u>

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2008 (Dollar in thousands)

	Unrestricted	Temporarily Restricted	Total
REVENUES AND GAINS:			
Investment activity:			
Interest and dividend income	\$ 12,599	\$ -	\$ 12,599
Realized loss on investments	(66,015)	-	(66,015)
Unrealized loss on investments	(250,576)	-	(250,576)
Investment expenses	<u>(4,149)</u>	<u>-</u>	<u>(4,149)</u>
Total investment activity	(308,141)	-	(308,141)
Contributions	-	-	-
Donor intent contributions	<u>517</u>	<u>-</u>	<u>517</u>
Total revenues and losses	<u>(307,624)</u>	<u>-</u>	<u>(307,624)</u>
GRANTS AND EXPENSES:			
Grants approved for charitable purposes — net	37,539	-	37,539
General and administrative	5,949	-	5,949
Excise and income taxes	<u>(361)</u>	<u>-</u>	<u>(361)</u>
Total grants and expenses	<u>43,127</u>	<u>-</u>	<u>43,127</u>
DECREASE IN NET ASSETS	(350,751)	-	(350,751)
NET ASSETS:			
Beginning of year	<u>814,967</u>	<u>-</u>	<u>814,967</u>
End of year	<u>\$ 464,216</u>	<u>\$ -</u>	<u>\$ 464,216</u>

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008 (Dollar in thousands)

	2009	2008
OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 126,319	\$ (350,751)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	270	260
Net realized losses on investments	25,376	66,015
Net unrealized (gains) losses on investments	(159,738)	250,576
Grants paid with stock transfers	-	9,251
(Increase) decrease in accrued income receivable	(30)	303
Decrease (increase) in taxes receivable	36	(234)
Increase in notes receivable	-	(12)
Increase (decrease) in due to/from brokers for securities purchased/sold — net	22,443	(682)
(Decrease) increase in accrued expenses	(331)	299
(Decrease) increase in grants payable	(5,489)	3,605
Decrease in long term grants payable	-	(2,716)
	<u>8,856</u>	<u>(24,086)</u>
Net cash provided by (used in) operating activities		
INVESTING ACTIVITIES:		
Proceeds from the sale of investments	205,749	250,715
Purchase of investments	(192,226)	(216,625)
Issuance of program related investment	-	(5,000)
Payment received from program related investment	2,500	-
Purchase of property and equipment	(75)	-
	<u>15,948</u>	<u>29,090</u>
Net cash provided by investing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	24,804	5,004
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>20,522</u>	<u>15,518</u>
End of year	<u>\$ 45,326</u>	<u>\$ 20,522</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash payments for interest	<u>\$ 3</u>	<u>\$ -</u>
Cash payments for excise and income taxes	<u>\$ 173</u>	<u>\$ 552</u>

See notes to financial statements.

THE LYNDE AND HARRY BRADLEY FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2009 AND 2008

1. ORGANIZATION AND PURPOSE

The Lynde and Harry Bradley Foundation, Inc. (the “Foundation”), a nonprofit organization, was incorporated under the laws of Wisconsin on June 29, 1942, to raise, invest and reinvest money, and devote the principal and net earnings therefrom perpetually and exclusively for charitable, scientific, literary, and educational purposes. The programs and funding decisions of the Foundation are the responsibility of the Foundation’s board of directors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and comply with the guidance in the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets of the Foundation and changes therein that are not subject to donor-imposed stipulations are classified as unrestricted net assets.

Use of Estimates — Management of the Foundation has made a number of estimates and assumptions relating to the reporting of assets, liabilities, and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues, gains, grants, and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents — Cash equivalents consist of short-term highly liquid instruments purchased with an original maturity date of three months or less. Such instruments are valued at cost, which approximates market value.

Investments — Investment transactions are recorded on the trade date. Realized gains and losses on sales of investments are determined on the specific identification basis and include the effects of currency transactions related to holdings of foreign securities. Investments, including derivative instruments and hedge funds, are generally recorded at fair value based upon quoted market prices. Investments without quoted market prices are reported at the lower of cost or fair value. Investments without quoted market prices include certain limited partnerships (see Note 4). Fair value for certain limited partnerships is determined in good faith using procedures approved by the Foundation’s board of directors. However, because of the inherent uncertainty of valuation, the estimated fair values for investments without quoted market prices may differ significantly from the values that would have been used had a ready market for the investments existed. These differences could be material.

The Foundation establishes a valuation allowance against investments without quoted market prices when the estimated fair value of an investment is less than the Foundation’s cost. If a limited partnership is determined to be permanently impaired, it is written down to its net realizable value. The net realizable value then becomes its new cost basis.

The Foundation's investments denominated in foreign currencies are translated into U.S. dollars as follows: (1) securities, financial instruments, and other assets and liabilities denominated in a foreign currency are translated on the last business day of each month at the spot exchange rate; (2) forward foreign currency contracts are marked to market or net settlement value on the last business day of each month; and (3) purchases, sales, income, and expenses are translated at the spot exchange rate prevailing on the respective dates of such transactions. The effect of changes in foreign currency exchange rates on investments denominated in foreign currencies are included in the statement of activities as a component of unrealized gain (loss) on investments.

Program Related Investment — The Foundation invests in projects that advance philanthropic purposes. In 2008, the Foundation made a program related investment in the form of a loan to a private foundation in the amount of \$5,000,000. In 2009, a payment of \$2,500,000 was received and the loan amount was amended to \$2,500,000.

Land, Buildings, Furniture, and Fixtures — Land, buildings, furniture, and fixtures are stated at cost as of the date of acquisition. Depreciation of buildings and furniture and fixtures is provided on the straight-line basis over the estimated useful lives of the related assets as follows:

Assets	Years
Buildings	30
Land improvements	10
Furniture and fixtures	10

The cost of office equipment is consistently charged to expense because the Foundation does not deem such amounts sufficiently material to warrant capitalization and depreciation. The Foundation recorded \$270,000 and \$260,000 of depreciation expense in 2009 and 2008, respectively.

Grants Payable — Unconditional grants, authorized by the Foundation's board of directors but not yet paid, are reported as liabilities to be paid in future years.

Federal Income Tax — The Foundation has received a determination letter from the Internal Revenue Service indicating that it is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code"). The Foundation is, however, subject to federal income taxes on any net unrelated business income under the provisions of Section 511 of the Code.

On January 1, 2009, the Foundation adopted accounting standards related to Accounting Standards Codification (ASC) 740, *Accounting for Uncertainty in Income Taxes* (formerly Financial Accounting Standards Board (FASB) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*). ASC 740 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more likely-than-not recognition threshold at the effective date to be recognized upon the adoption of ASC 740 and in subsequent periods. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition.

The adoption of ASC 740 had no significant impact on the Foundation's financial statements. In the event the Foundation were to recognize interest and penalties related to uncertain tax positions, it would be recognized in the financial statements as an income tax expense. Tax years 2006 through 2009 are open to examination by the federal taxing authorities. The federal taxing authority is the Foundation's material jurisdiction. There are no income tax examinations currently in process.

Federal Excise Tax and Distribution Requirements — The Foundation is subject to an excise tax on net investment income, including realized gains, as defined in the Code. The excise tax is 2% for foundations but is reduced to 1% if certain distribution requirements are met. The Foundation recognized excise tax at a rate of 1% in 2009 and 2008 and an excise tax receivable of \$700,000 and \$614,000 at December 31, 2009 and 2008, respectively.

In addition, certain minimum annual qualifying distributions are to be made approximating 5% of average net investment assets, less the excise tax on investment income. Meeting the minimum distribution requirement avoids a 15% excise tax on the difference between the distributed amount and the required minimum distribution.

During 2009 and 2008, the Foundation exceeded its minimum distribution requirements by approximately \$25,020,000 and \$13,549,000, respectively. At December 31, 2009, total excess qualifying distributions available from 2009 and prior years to be carried forward are approximately \$25,134,000 and expire as follows (in thousands):

Years Ending December 31	
2013	\$ 114
2014	<u>25,020</u>
Total	<u>\$25,134</u>

Contributions and Donor Restrictions — The Foundation reports contributions of cash and other assets as unrestricted or as restricted depending on the existence of donor stipulations that limit the use of support. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Temporarily Restricted Net Assets — Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose.

Restrictions on Net Assets — During the year ended December 31, 2009, a temporarily restricted contribution of \$30,000,000 was received. At December 31, 2009, temporarily restricted net assets may be used by the Foundation for distribution to designated schools or other charitable organizations for scholarships.

3. INVESTMENTS

International Securities and Foreign Currency Contracts — The Foundation's investments in international securities are denominated in various foreign currencies and therefore are subject to fluctuations in foreign currency exchange rates. At times, the Foundation enters into forward currency contracts whereby the Foundation agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate in the future. The Foundation enters into these contracts primarily to hedge its foreign currency exposure related to international holdings. Foreign currency contracts are recorded at fair market value based upon net settlement amount. Such contracts involve, to varying degrees, risk of loss associated with the inability of counterparties to meet the terms of their contracts. Changes in the value of forward currency contracts are recognized as unrealized gains or losses until such contracts are closed. The maturities of those contracts are generally less than nine months. Unrealized gains (losses) on open foreign currency exchange contracts at December 31, 2009 and 2008,

were \$25,400 and \$(25,000), respectively. Net realized and unrealized gains (losses) on foreign currency exchange contracts recognized in the statement of activities were \$(168,000) and \$400, respectively, during the year ended December 31, 2009, and \$30,000 and \$(25,000), respectively, during the year ended December 31, 2008.

Securities Lending Activities — The Foundation has security lending arrangements with The Northern Trust Company (“Northern”) whereby certain of the Foundation’s marketable securities are loaned to designated counterparties (borrowers) in exchange for acceptable collateral (cash, government securities, and irrevocable letters of credit). Such arrangements involve risk of loss arising from the potential nonperformance of the borrowers. The minimum collateral required is 102% of the market value of the securities on loan at the time of initiating the loan. On a daily basis, securities on loan are marked to market and collateral levels are adjusted to maintain a minimum of 102% of the loan. Northern or a third-party agent holds collateral in custody.

The market value of the loaned securities was \$28,825,000 and \$19,963,000 at December 31, 2009 and 2008, respectively. In exchange for loaned securities, the Foundation received cash collateral of \$29,776,000 and noncash collateral of \$0 at December 31, 2009, and cash collateral of \$20,305,000 and noncash collateral of \$14,000 at December 31, 2008. The collateral is pooled with other clients of the Northern Trust Core USA Collateral Pool and is invested in cash and cash equivalents, agencies, bonds, and mortgage-backed securities. At December 31, 2009 and 2008, the Foundation’s interest in the collateral pool was \$29,726,000 and \$19,267,000, respectively. The income earned from securities lending activities was \$78,000 and \$288,000 for the years ended December 31, 2009 and 2008, respectively.

The arrangement also involves a risk of loss related to investment losses in the securities lending collateral pool. The risk of loss is a current liability of \$50,193, which is the difference between the cash collateral received from the borrower and the Foundation’s interest in the securities lending collateral pool. Northern imposed conditions for withdrawal from the securities lending program. The Foundation would realize losses by withdrawing from the program under the imposed conditions.

Other-Than-Temporary Impairment of Investments — Summarized by security type, the unrealized losses and related fair value of the investments for which fair value is less than cost at December 31, 2009 and 2008, are as follows (in thousands):

	December 31, 2009		December 31, 2009	
	(Less Than 12 Months)		(More Than 12 Months)	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed income mutual funds	\$ -	\$ -	\$ -	\$ -
U.S. government and agency obligations	3,721	(58)	4	(1)
Corporate bonds	495	(11)	946	(137)
Mortgage and other asset-backed securities	3,000	(68)	2,967	(1,017)
Common and preferred stocks	15,817	(1,189)	45,688	(9,441)
Alternative investments	3,220	(418)	63,682	(21,271)
Total	\$ 26,253	\$ (1,744)	\$ 113,287	\$ (31,867)

	December 31, 2008 (Less Than 12 Months)		December 31, 2008 (More Than 12 Months)	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Fixed income mutual funds	\$ 15,942	\$ (2,380)	\$ -	\$ -
U.S. government and agency obligations	116	(3)	79	(3)
Corporate bonds	17,103	(2,693)	1,402	(377)
Mortgage and other asset-backed securities	4,471	(901)	2,397	(632)
Common and preferred stocks	79,551	(34,207)	23,826	(17,029)
Alternative investments	69,118	(26,235)	31,100	(7,494)
Total	<u>\$ 186,301</u>	<u>\$ (66,419)</u>	<u>\$ 58,804</u>	<u>\$ (25,535)</u>

Management does not believe there is any material amount of investments that are permanently impaired. The unrealized losses on fixed income investments (fixed income mutual funds, U.S. government and agency obligations, corporate bonds, and mortgage and other asset-backed securities) were caused by credit market conditions. The unrealized losses on common and preferred stocks relate primarily to general market conditions. The Foundation maintains oversight of the investment managers and does not consider these investments to be other-than-temporarily impaired at December 31, 2009. The Foundation's investment in alternative investments includes investments in limited partnerships. These partnerships are illiquid assets, subject to volatility, and because the Foundation is committed to hold these investments for the duration of the partnership, the Foundation does not consider these investments to be other-than-temporarily impaired at December 31, 2009.

4. FAIR VALUE MEASUREMENT

Effective January 1, 2008, the Foundation adopted FASB ASC 820, *Fair Value Measurements and Disclosures* (formerly FASB Statement No. 157, *Fair Value Measurements*). ASC 820 defines fair value, establishes a framework for measuring fair value under accounting principles generally accepted in the United States of America, and expands disclosures about fair value measurements. ASC 820 clarifies that fair value is the price that the Foundation would receive to sell an asset or pay to transfer a liability in an orderly transaction between market participants at the 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, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- *Level 1* — Observable inputs such as quoted prices in active markets
- *Level 2* — Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly
- *Level 3* — Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions

The changes in assets and liabilities measured at fair value for which the Foundation has used significant unobservable inputs (Level 3) to determine fair value are as follows (in thousands):

Balance — January 1, 2008	\$ 50,666
Total gains or losses (realized and unrealized)	(18,087)
Transfers in and/or out of Level 3	-
Net purchases and sales	<u>26,491</u>
Balance — December 31, 2008	59,070
Total gains or losses (realized and unrealized)	(1,364)
Transfers in and/or out of Level 3	(9,916)
Net purchases and sales	<u>8,408</u>
Balance — December 31, 2009	<u>\$ 56,198</u>

The transfers out of Level 3 securities are primarily due to the adoption of ASU 2009-12, *Fair Value Measurements and Disclosures — Investments in Certain Entities that Calculate Net Asset Value per Share (or Equivalent)* (“ASU 2009-12”), during the year ended December 31, 2009. ASU 2009-12 provides additional guidance on how the fair value of alternative investments that calculate a net asset value per share should be classified within the fair value hierarchy. The additional guidance clarifies that investments calculated using a net asset value are categorized as Level 2 unless there are redemption restrictions. Last year’s guidance required a look through to the underlying assets of the investment for defining categorization in Level 2 or Level 3. As a result, certain investments that were previously classified within Level 3 of the fair value hierarchy are now classified within Level 2.

The following table summarizes the fair value measurements in alternative investments and commingled fund investments calculated using a net asset value (or its equivalent) and their redemption restrictions (in thousands):

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
High-yield bond fund (a)	\$ 19,951	\$ -	monthly	30 days
International equity funds (b)	34,132	-	monthly	7 days
Emerging markets (c)	35,408	-	daily	10 days
Commodities (d)	19,290	-	monthly	10 days
Global real estate investment trust (e)	22,637	-	monthly	30 days
Timber (f)	15,068	-	-	-
Long/short hedge funds (g)	18,795	-	monthly, quarterly, annually	30–90 days
Event driven hedge funds (h)	9,700	-	monthly, quarterly, annually	45–60 days
Arbitrage hedge funds (i)	6,071	-	quarterly, annually	60–75 days
Credit/distressed hedge funds (j)	3,133	-	monthly, annually	90 days
Global macro hedge funds (k)	3,581	-	monthly	10–90 days
Multi strategy hedge funds (l)	4,096	-	monthly, quarterly	60–90 days
General hedge fund (m)	114,812	-	quarterly	30 days
Private equity funds (n)	<u>36,789</u>	<u>42,508</u>		
Total	<u>\$ 343,463</u>	<u>\$ 42,508</u>		

- (a) This category invests in high-yield debt and related securities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (b) This category invests in equity securities of companies in developed foreign countries. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (c) This category invests in stock investments in developing markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (d) This category invests in “hybrid instruments” that are commodity-linked derivative investments, mainly structured notes, swaps, futures contracts, options, and investment-grade and noninvestment grade corporate bonds and notes, securities issued or guaranteed by the U.S. government or its agencies and instrumentalities (including mortgage-backed securities), forward rolls, repurchase agreements, forward contracts, and asset-backed securities. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (e) This category invests in income-producing real estate equity securities of real estate companies located primarily in Europe, Australia, Asia, and North America. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.

- (f) The category invests in timber in primary regions around the United States and some locations around the world. Investments diversify by species, age class, end use, and location. This investment cannot be redeemed by the Foundation. Rather, the Foundation committed an amount to the timber fund. The nature of the investment is that distributions are received through the liquidation of the underlying assets of the timber fund. It is estimated that the underlying assets of the timber fund will be liquidated over the next 14 years.
- (g) This category includes investments in hedge funds that invest both long and short in U.S. equity markets or in a single economic sector or in global and global ex-U.S. equity markets. Management of the hedge funds vary in their use of short selling and leverage as well as their investment process (growth or value). The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (h) This category includes investments in hedge funds whose positions are predominately designed to capture “spreads” between security prices resulting from corporate mergers and acquisitions. Management of the hedge funds vary in their use of leverage, hedging, and focus on nonmerger areas including distressed and special situations. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (i) This category includes investments in hedge funds that invest in long and short positions in closely related securities with the goal of capturing the convergence of pricing anomalies. Management of the hedge funds employ one or more of the following strategies including: convertible arbitrage, event arbitrage, fixed income arbitrage, closed-end fund arbitrage, statistical pairs trading, index arbitrage, intra-capital arbitrage, and derivative arbitrage. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (j) This category includes investments in hedge funds that invest in positions in the public and private debt and equity of companies in financial distress. Management of the hedge funds vary in their focus on early versus late stage situations, senior versus subordinated levels on the capital structure and nontraditional areas including high-yield bonds and emerging markets debt. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (k) This category includes investments in hedge funds that have a wide mandate. Managers of the hedge funds have the ability to take positions in any market or instrument. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (l) This category includes investments in hedge funds that invest in a combination of securities, including fixed-income and equity securities to generate both capital appreciation and current income. The fair values of the investments in this category have been estimated using the net asset value per share of the investments.
- (m) This category includes an investment with the ability to invest globally in wide ranges of securities. The investment strategy is primarily long only in concentrated investments. The fair value of the investment in this category has been estimated using the ownership interest in partners’ capital to which a proportionate share of net assets is attributed.
- (n) This category includes private equity funds that invest in venture capital, buyouts, distressed, and other opportunistic funds. The fair values of the investments in this category have been estimated based on the capital account value provided by the fund manager. The fair values have been

estimated by the fund manager in the absence of readily determinable fair values. These investments cannot be redeemed by the Foundation. Rather, the Foundation has committed an amount to invest in the private equity funds over the commitment period, which ends in 10 years. After the commitment period has ended, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the private equity funds. It is estimated that the underlying assets of the private equity funds will be liquidated over the next 10 years.

5. ALTERNATIVE INVESTMENTS

Alternative investments as of December 31, 2009 and 2008, consist of the following (dollar in thousands):

	2009	2008
Hedge funds	\$ 160,188	\$ 151,063
Real assets	56,995	42,589
Private equity	<u>36,789</u>	<u>27,769</u>
Total	<u>\$ 253,972</u>	<u>\$ 221,421</u>

6. LAND, BUILDINGS, FURNITURE, AND FIXTURES

Land, buildings, furniture, and fixtures as of December 31, 2009 and 2008, are comprised of the following (dollar in thousands):

	2009	2008
Land and land improvements	\$ 530	\$ 530
Buildings and building improvements	4,876	4,876
Furniture and fixtures	<u>1,041</u>	<u>966</u>
	6,447	6,372
Less accumulated depreciation	<u>3,002</u>	<u>2,732</u>
Total	<u>\$ 3,445</u>	<u>\$ 3,640</u>

7. GRANTS

Unconditional grants approved for charitable purposes during 2009 and 2008 are summarized as follows (dollar in thousands):

	2009	2008
Total grants approved for charitable purposes	\$ 39,021	\$ 37,542
Returned or cancelled grants	<u>(288)</u>	<u>(3)</u>
Grants approved for charitable purposes — net	<u>\$ 38,733</u>	<u>\$ 37,539</u>

Grants payable as of December 31, 2009, are payable within one year.

8. DONOR INTENT PROGRAM

In 2002, the Foundation established a Donor Intent Program whereby unrestricted contributions are received from independent donors. Donors are permitted to recommend that grants be made to organizations that are qualified as a public charity under Section 501(c)(3) of the Internal Revenue Code in an amount up to the donor's contribution. Although guided by the donor's recommendation, the Foundation has no legal obligation to follow that recommendation. Contributions to the Donor Intent Program are irrevocable and all donor recommended grants must be reviewed and approved by the board of directors of the Foundation. Donor contributions were \$876,000 and \$516,750 in 2009 and 2008, respectively. The 2009 and 2008 donor contributions were awarded and paid in the year the contributions were received.

9. EMPLOYEE BENEFIT PLANS

The Foundation sponsors a defined contribution plan for substantially all employees. Contributions by the Foundation are determined as a percentage of the covered employee's annual salary. Amounts expended under this plan totaled \$268,000 and \$258,000 in 2009 and 2008, respectively.

The Foundation provides for certain post employment and supplemental retirement benefits for certain officers and other executives of the Foundation. The liability under these plans increased by \$74,900 in 2009 and decreased by \$47,700 in 2008.

10. CONFLICT OF INTEREST

It is the policy of the Foundation that all officers and directors shall avoid any conflict of interest between their individual interests and the interests of the Foundation. The Foundation has a conflict of interest policy whereby officers and directors must advise the board of any direct or indirect financial interest in any organization that had transactions with the Foundation. There were no such transactions in 2009 and 2008. The directors must also disclose grantee charitable organizations for which they serve as a board member or have a close relationship, and abstain from voting for the approval of grants to those organizations. During 2009 and 2008, the Foundation awarded grants of \$5,912,250 and \$8,040,000, respectively, to such charitable organizations.

11. COMMITMENTS

As part of its investment management activity, the Foundation is committed to additional funding of \$42,508,000 for private equities at December 31, 2009. In addition, as part of its grant activity, the Foundation has committed grants to certain organizations of \$1,000,000 at December 31, 2009. Due to contingencies associated with these commitments, no liability has been recorded in the statements of financial position.

12. REMAINDER INTEREST IN TRUST

The Foundation has a remainder interest in an independent trust (the "Trust") for which an unrelated third party acts as trustee. The Foundation is entitled to receive 70% of the trust principal upon the death of the primary beneficiary of the Trust, contingent upon actions exercised during the life of the Trust by other parties to the Trust agreement. The total market value of the Trust at December 31, 2009, as reported by the trustee, was \$182,430,000. The Trust has not been included within the Foundation's financial statements because of the contingencies associated with determining the final amount of the Foundation's remainder interest in the Trust.

13. LOAN GUARANTEE

In January 2007, the Foundation entered into an agreement to guarantee the loan obligation of a 501(c)(3) in order to carry out a charitable purpose. The Foundation agreed to guarantee a maximum of \$2,000,000. The principal amount of the original term note is \$1,775,000, of which \$1,672,305 is outstanding on December 31, 2009. The term note is due February 1, 2013, and it is secured by collateral and lien and a security interest in certain deposit accounts.

14. SUBSEQUENT EVENTS

The Fund's management evaluated the activity of the fund through June 8, 2010, the date the consolidated financial statements were available to be issued and concluded that no subsequent events had occurred that would require recognition or disclosure.

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