

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

\*\*\*

FINANCIAL STATEMENTS

Years Ended December 31, 2011 and 2010

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

TABLE OF CONTENTS

	<u>Pages</u>
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	4
Notes to Financial Statements	5-12

EMERITUS

Alexander W. Berger (1916-2005)  
Griffith R. Lewis

CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Walter S. Johnson Foundation  
(A California Nonprofit Private Foundation)  
San Francisco, California

We have audited the accompanying statements of financial position of Walter S. Johnson Foundation (a California nonprofit private foundation) as of December 31, 2011 and 2010, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the financial position of Walter S. Johnson Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



BERGER LEWIS ACCOUNTANCY CORPORATION  
San Jose, California  
August 10, 2012

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

---

**ASSETS**

	<u>2011</u>	<u>2010</u>
<b>ASSETS:</b>		
Cash	\$ 197,319	\$ 224,361
Investments in Securities	86,947,114	95,130,347
Dividends Receivable	4,047	29,749
Income Tax Receivable	53,912	-
Receivable for Investments Sold	-	13,710
Federal Excise Tax Receivable	64,311	-
Deferred Federal Excise Tax Asset	53,623	-
Property and Equipment, Net	2,694	9,456
Other Assets	<u>17,430</u>	<u>53,515</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 87,340,450</u></b>	<b><u>\$ 95,461,138</u></b>

**LIABILITIES AND NET ASSETS**

<b>LIABILITIES:</b>		
Accounts Payable and Accrued Liabilities	\$ 24,750	\$ 90,532
Grants Payable, Net	1,891,600	2,169,957
Payable for Investments Purchased	-	41,390
Federal Excise Tax Payable	-	24,279
Income Taxes Payable	-	46,088
Deferred Federal Excise Tax Liability	<u>-</u>	<u>139,805</u>
Total Liabilities	<u>1,916,350</u>	<u>2,512,051</u>
Commitments - see Note 9		
<b>NET ASSETS:</b>		
Unrestricted Net Assets	<u>85,424,100</u>	<u>92,949,087</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 87,340,450</u></b>	<b><u>\$ 95,461,138</u></b>

The Accompanying Notes are an Integral Part of these Financial Statements.

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

STATEMENTS OF ACTIVITIES

Years Ended December 31, 2011 and 2010

---

	<u>2011</u>	<u>2010</u>
<b>INVESTMENT INCOME:</b>		
Interest	\$ 158	\$ 111,594
Dividends	1,502,085	1,618,045
Income from Investments in Limited Partnerships	2,208,338	2,350,078
Net Realized Gain on Sale of Investments	3,974,450	1,589,710
Net Unrealized Appreciation (Depreciation) on Investments	(9,671,397)	6,190,078
Other Income	3,023	22,179
Amortization of Bond Premium	<u>-</u>	<u>(4,802)</u>
Total Investment Income	<u>(1,983,343)</u>	<u>11,876,882</u>
<b>DIRECT EXPENSES:</b>		
Investment Related Expenses	587,965	376,072
Federal Excise Tax Expense / (Benefit), Net	(122,018)	224,802
Current Income Taxes	<u>-</u>	<u>48,950</u>
Total Direct Expenses	<u>465,947</u>	<u>649,824</u>
Net Investment Income (Loss)	<u>(2,449,290)</u>	<u>11,227,058</u>
<b>GRANTS AND EXPENSES:</b>		
Grants Authorized	4,450,016	2,537,709
Administrative Expenses	<u>625,681</u>	<u>767,642</u>
Total Grants and Expenses	<u>5,075,697</u>	<u>3,305,351</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<u>(7,524,987)</u>	<u>7,921,707</u>
<b>UNRESTRICTED NET ASSETS, Beginning of Year</b>	<u>92,949,087</u>	<u>85,027,380</u>
<b>UNRESTRICTED NET ASSETS, End of Year</b>	<u>\$ 85,424,100</u>	<u>\$ 92,949,087</u>

The Accompanying Notes are an Integral Part of these Financial Statements.

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2011 and 2010

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in Unrestricted Net Assets	\$ (7,524,987)	\$ 7,921,707
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Realized Gain on Sale of Investments	(3,974,450)	(1,589,710)
Net Unrealized (Appreciation) Depreciation on Investments	9,671,397	(6,190,078)
Depreciation	953	9,151
Loss on Disposal of Equipment	6,742	1,127
Deferred Federal Excise Tax Expense / (Benefit)	(193,428)	123,802
Amortization of Bond Premium	-	4,802
(Increase) Decrease in Assets:		
Dividends Receivable	25,702	33,147
Accrued Interest Purchased	-	27,696
Income Tax Receivable	(53,912)	-
Receivable for Investments Sold	13,710	(8,138)
Federal Excise Tax Receivable	(64,311)	31,820
Other Assets	36,085	(15,897)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	(65,782)	36,131
Grants Payable, Net	(278,357)	89,582
Payable for Investments Purchased	(41,390)	7,127
Federal Excise Tax Payable	(24,279)	24,279
Income Taxes Payable	(46,088)	46,088
Net Cash Provided (Used) by Operating Activities	(2,512,395)	552,636
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of Property and Equipment	(934)	(2,312)
Purchase of Investment Securities	(36,434,323)	(48,638,336)
Proceeds from Sale of Investment Securities	38,363,998	47,675,283
Sale (Purchase) of Cash Equivalents and Money Market Funds, Net	556,612	526,774
Net Cash Provided (Used) by Investing Activities	2,485,353	(438,591)
<b>NET INCREASE (DECREASE) IN CASH</b>	(27,042)	114,045
<b>CASH, Beginning of Year</b>	224,361	110,316
<b>CASH, End of Year</b>	\$ 197,319	\$ 224,361
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Cash Paid for Federal Excise Taxes	\$ 160,000	\$ 45,000
Cash Paid for Current Income Taxes	\$ 100,000	\$ 2,911
Payables for Investments Purchased	\$ -	\$ 41,390

The Accompanying Notes are an Integral Part of these Financial Statements.

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS

---

NOTE 1 - GENERAL INFORMATION:

Walter S. Johnson Foundation (WSJF), a nonprofit organization located in San Francisco, California, provides grants to organizations primarily in Northern California and Washoe County, Nevada, that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code. The grants reflect the Foundation's goal to assist youth to become successful adults by promoting positive change in the policies and systems that serve them and by supporting high impact and promising practices.

NOTE 2 - PROGRAM GRANTS:

The Foundation makes grants to the following types of programs:

Transition-Aged Foster Youth - To ensure a successful transition to adulthood, WSJF partners with state and county social service agencies, post-secondary institutions, community-based organizations, and other foundations to create an integrated system of services, for current and former foster youth aged 14 to 24.

College and Career Technical Education Completion Strategies - WSJF works with post-secondary institutions, primarily community colleges, to address barriers to completion at the systems and classroom level.

Family Economic Success - WSJF supports organizations that are helping low-income families to build economic security and success through the promotion of saving and entrepreneurship.

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting - The financial statements of Walter S. Johnson Foundation have been prepared on the accrual basis of accounting and in conformity with accounting principles generally accepted in the United States of America applicable to nonprofit organizations.

Accordingly, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The net assets and revenues, expenses, gains and losses of the Foundation are classified and reported as unrestricted because they are not subject to donor-imposed restrictions.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Investments - Investments are carried at fair value, which is primarily based upon quoted market prices. Realized gains or losses on the sales of investments are determined based upon the specific costs of securities sold. Unrealized appreciation or depreciation in the value of investments is recognized in the statements of activities as the change in the difference between the cost and market value between periods. Investments in limited partnerships are valued at fair value by the general partner after considering the nature of the underlying portfolios, liquidity and market conditions. The Foundation's portfolio is diversified throughout many industries and geographies.

Fair Value Measurements - Fair value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

A hierarchy has been established to prioritize the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest ranking to fair values determined using unadjusted quoted prices in active markets for identical assets (Level 1) and the lowest ranking to fair values determined using methodologies and models with unobservable inputs (Level 3). Observable inputs are those that market participants would use in pricing the asset based on market data obtained from sources independent of the Foundation. Unobservable inputs reflect the Foundation's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Values are unadjusted quoted prices for identical assets and liabilities in active markets accessible at the measurement date.

Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads and yield curves.

Level 3 - Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect the Organization's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

Property and Equipment - Property and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets ranging from 3 to 10 years.

Grants - Grant requests are recorded as expenses in the year they are approved by the Trustees. Grants are authorized subject to certain conditions, and failure of the recipients to meet these conditions may result in cancellation or refund of the grants.



WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 3 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Taxes - The Foundation has received notification from the Internal Revenue Service and the State of California that it qualifies as an exempt organization as defined in Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the California Revenue and Taxation Code, respectively, and is, accordingly, exempt from income tax except for income tax on unrelated business taxable income.

The Foundation is a private foundation as defined in Section 509 of the Internal Revenue Code. It is subject to excise tax on net investment income as provided in Section 4940 of the Internal Revenue Code. The Foundation is also required under Section 4942 of the Internal Revenue Code to distribute certain minimum amounts within specified periods.

Federal excise tax expense related to taxable net investment income for the years ended December 31, 2011 and 2010 consists of \$71,410 and \$101,000, respectively, and \$193,428 of deferred tax benefit and \$123,802 of deferred tax expense, respectively, related to the net unrealized (depreciation) appreciation on investments held at December 31, 2011 and 2010, respectively.

Uncertainty in Income Taxes - Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by the Foundation in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination.

The Foundation's federal returns for the years ended December 31, 2010, 2009, and 2008 could be subject to examination by federal taxing authorities, generally for three years after they are filed. The Foundation's state returns for the years ended December 31, 2010, 2009, 2008 and 2007 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Reclassifications - Certain amounts in the prior year have been reclassified in order to be consistent with the current year presentation. These reclassifications had no effect on the change in net assets for the prior year.

Subsequent Events - Management of the Foundation has evaluated events and transactions subsequent to December 31, 2011 for potential recognition or disclosure in the financial statements. The Foundation did not have subsequent events that required recognition or disclosure in the financial statements for the fiscal year ended December 31, 2011. Subsequent events have been evaluated through the date the financial statements became available to be issued, August 10, 2012.

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS IN SECURITIES:

Fair value of assets measured on a recurring basis as of December 31, 2011 was as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments	\$ 379,587	\$ 379,587	\$ -	\$ -
Equities	26,969,231	26,969,231	-	-
Fixed Income	19,720,097	19,720,097	-	-
Stadium Capital Partners	6,460,253	6,460,253	-	-
Marathon Fund	7,831,806	7,831,806	-	-
TIFF Absolute Return Pool II	7,083,655	-	-	7,083,655
CommonFund Partners	3,798,625	551	2,339	3,795,735
TIFF Partners IV, LLC	1,232,360	-	-	1,232,360
TIFF Private Equity Partners 2008, LLC	2,276,047	-	-	2,276,047
South Ferry Capital Partners	6,071,825	217,989	5,853,836	-
Coliseum Capital Partners	<u>5,123,628</u>	<u>3,548,340</u>	<u>626,648</u>	<u>948,640</u>
<b>Total Investments in Securities</b>	<b><u>\$ 86,947,114</u></b>	<b><u>\$ 65,127,854</u></b>	<b><u>\$ 6,482,823</u></b>	<b><u>\$ 15,336,437</u></b>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	TIFF Absolute Return Pool II	CommonFund Partners	TIFF Partners IV, LLC	TIFF Private Equity Partners 2008, LLC	Coliseum Capital Partners	TOTAL
Balance as of 12/31/10	\$ 5,436,524	\$ 3,392,150	\$ 1,464,936	\$ 1,559,634	\$ 820,471	\$ 12,673,715
Realized Gain (Loss)	181,259	59,607	320,489	66,982	64,004	692,341
Change in Unrealized Appreciation (Depreciation)	(434,498)	11,101	(208,206)	101,861	139,417	(390,325)
Net Purchases (Sales)	1,900,370	-	-	-	(75,252)	1,825,118
Net Contributions (Distributions)	-	335,348	(344,859)	547,570	-	538,059
Net Transfers In/Out of Level 3	-	(2,471)	-	-	-	(2,471)
Balance as of 12/31/11	<u>\$ 7,083,655</u>	<u>\$ 3,795,735</u>	<u>\$ 1,232,360</u>	<u>\$ 2,276,047</u>	<u>\$ 948,640</u>	<u>\$ 15,336,437</u>

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS IN SECURITIES (Continued):

Fair value of assets measured on a recurring basis as of December 31, 2010 was as follows:

	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Investments	\$ 964,196	\$ 964,196	\$ -	\$ -
Equities	28,924,876	28,924,876	-	-
Fixed Income	21,390,075	21,390,075	-	-
Stadium Capital Partners	5,879,069	5,879,069	-	-
Stadium Relative Value Partners	2,791,002	2,791,002	-	-
Marathon Fund	8,724,220	8,724,194	26	-
TIFF Absolute Return Pool II	7,396,632	1,627,260	332,848	5,436,524
CommonFund Partners	3,392,217	67	-	3,392,150
TIFF Partners IV, LLC	1,554,804	89,868	-	1,464,936
TIFF Private Equity Partners 2008, LLC	1,645,184	85,550	-	1,559,634
South Ferry Capital Partners	5,956,395	213,845	5,742,550	-
Coliseum Capital Partners	<u>6,511,677</u>	<u>5,059,573</u>	<u>631,633</u>	<u>820,471</u>
<b>Total Investments in Securities</b>	<b><u>\$ 95,130,347</u></b>	<b><u>\$ 75,749,575</u></b>	<b><u>\$ 6,707,057</u></b>	<b><u>\$ 12,673,715</u></b>

Assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3 inputs):

	TIFF Absolute Return Pool II	CommonFund Partners	TIFF Partners IV, LLC	TIFF Private Equity Partners 2008, LLC	Coliseum Capital Partners	TOTAL
Balance as of 12/31/09	\$ 5,250,508	\$ 2,631,088	\$ 1,496,375	\$ 839,952	\$ -	\$ 10,217,923
Realized Gain (Loss)	(14,443)	120,814	170,890	87,538	(7,538)	357,261
Change in Unrealized Appreciation	106,465	262,690	78,263	139,786	72,009	659,213
Net Purchases (Sales)	426,842	-	-	-	-	426,842
Net Contributions (Distributions)	-	377,558	(280,592)	492,358	756,000	1,345,324
Net Transfers In/Out of Level 3	<u>(332,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(332,848)</u>
Balance as of 12/31/10	<b><u>\$ 5,436,524</u></b>	<b><u>\$ 3,392,150</u></b>	<b><u>\$ 1,464,936</u></b>	<b><u>\$ 1,559,634</u></b>	<b><u>\$ 820,471</u></b>	<b><u>\$ 12,673,715</u></b>

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS IN SECURITIES (Continued):

Investments in securities held at fair value and cost as of December 31, 2011 consisted of the following:

	Fair Value	Cost
Marketable Equity Securities	\$ 34,801,037	\$ 36,514,995
Fixed Income Funds	19,720,097	20,030,171
Limited Partnerships	32,046,393	32,703,517
Cash Equivalents and Money Market Funds	379,587	379,587
Total Investments in Securities	\$ 86,947,114	\$ 89,628,270

Investments in securities held at fair value and cost as of December 31, 2010 consisted of the following:

	Fair Value	Cost
Marketable Equity Securities	\$ 37,649,096	\$ 33,941,554
Fixed Income Funds	21,390,075	21,299,481
Limited Partnerships	35,126,980	31,934,875
Cash Equivalents and Money Market Funds	964,196	964,196
Total Investments in Securities	\$ 95,130,347	\$ 88,140,106

NOTE 5 - PROPERTY AND EQUIPMENT:

The cost and related accumulated depreciation of property and equipment as of December 31, consisted of the following:

	2011	2010
Computers	\$ 2,666	\$ 15,901
Furniture and Fixtures	2,701	31,674
Computer Software	16,609	16,609
Leasehold Improvements	-	41,877
	21,976	106,061
Less: Accumulated Depreciation	(19,282)	(96,605)
Property and Equipment, Net	\$ 2,694	\$ 9,456

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 5 - PROPERTY AND EQUIPMENT (Continued):

Depreciation expense for the years ended December 31, 2011 and 2010 was \$953 and \$9,151, respectively.

NOTE 6 - GRANTS PAYABLE:

Grants payable in more than one year are discounted to their present value at the time the grants are made using risk-free interest rates. Grants payable as of December 31, are payable in the following years:

<u>Year Ending December 31:</u>	<u>2011</u>	<u>2010</u>
2011	\$ -	\$ 1,587,519
2012	1,716,134	528,668
2013	<u>186,000</u>	<u>75,000</u>
	1,902,134	2,191,187
Less: Discount on Long-Term Grants Payable	<u>(10,534)</u>	<u>(21,230)</u>
Grants Payable, Net of Discount	<u>\$ 1,891,600</u>	<u>\$ 2,169,957</u>

NOTE 7 - DEFINED CONTRIBUTION PLAN AND DEFERRED COMPENSATION:

The Foundation had a defined contribution retirement plan under Internal Revenue Code Section 403(b) that it contributed to for covered employees through March 2010. In April 2010, the Foundation became a co-employer with a professional employment firm and contributed to a defined contribution retirement plan under Internal Revenue Code Section 401(k). Both plans covered all employees who met the eligibility requirements. During 2010 the Board of Trustees approved contributions of 7% of qualified employees' salaries representing \$28,062. Deferred compensation for retired employees as of December 31, 2011 and 2010 was \$24,750 and \$26,250, respectively.

NOTE 8 - PROVISION FOR FEDERAL EXCISE / UNRELATED BUSINESS INCOME TAXES:

Federal Excise Taxes

The Internal Revenue Code imposes an excise tax on private foundations equal to 2% percent of net investment income, which is defined as interest, dividends and net realized gains less operating and capital losses on partnership investments and expenses incurred in the production of income. The tax is reduced to 1% percent for foundations that meet certain distribution requirements. The provision for federal excise tax (based on a 1% rate for 2011 and 2% rate for 2010) consists of a current provision on net investment income. A deferred excise tax provision is recognized on current net unrealized gains or losses on investments.

---

WALTER S. JOHNSON FOUNDATION  
(A California Nonprofit Private Foundation)

NOTES TO FINANCIAL STATEMENTS  
(Continued)

---

NOTE 8 - PROVISION FOR FEDERAL EXCISE TAX (Continued):

For the years ended December 31, 2011 and 2010 federal excise tax expense consisted of the following:

	<u>2011</u>	<u>2010</u>
Current Federal Excise Tax Expense	\$ 71,410	\$ 101,000
Deferred Federal Excise Tax (Benefit) Expense	<u>(193,428)</u>	<u>123,802</u>
Federal Excise Tax (Benefit) Expense, Net	<u>\$ (122,018)</u>	<u>\$ 224,802</u>

Unrelated Business Income Taxes

In accordance with Section 511(a)(1) of the Internal Revenue Code, the Foundation is subject to corporate tax rates on net income earned from unrelated business activities. During the years ended December 31, 2011 and 2010, the Foundation had unrelated business taxable income resulting in unrelated business income taxes of \$0 and \$48,950, respectively.

NOTE 9 - COMMITMENTS:

Operating Lease

In March 2011, the Foundation terminated its office lease at a cost of \$15,000. The operation of the Foundation was moved to Pacific Foundation Services, LLC, of San Francisco, California, a professional foundation manager.

Rental expense for the years ended December 31, 2011 and 2010 was \$13,350 and \$59,810, respectively.

Investments

The Foundation has commitments to invest an additional \$4,649,172 in five limited partnership investments. The timing of the capital calls will be determined by the General Partners of the partnerships.