

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

FINANCIAL STATEMENTS

Years Ended December 31, 2010 and 2009

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

Thomas C. Bondi
Lawrence S. Kuechler
Roberto M. Maragoni
Frank A. Minuti, Jr.

EMERITUS

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



CERTIFIED PUBLIC ACCOUNTANTS AND BUSINESS ADVISORS

Daniel C. Moors
Randy G. Peterson
Todd W. Robinson
David R. Sheets
Robert W. Smiley

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, 2010 and 2009, 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, 2010 and 2009, 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.

A handwritten signature in cursive script that reads "Berger Lewis Accountancy Corporation".

BERGER LEWIS ACCOUNTANCY CORPORATION
San Jose, California
August 12, 2011

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

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
ASSETS		
ASSETS:		
Cash	\$ 224,361	\$ 110,316
Investments in Securities	95,130,347	86,919,084
Dividends Receivable	29,749	62,896
Accrued Interest Purchased	-	27,696
Receivable for Investments Sold	13,710	5,572
Federal Excise Tax Receivable	-	31,820
Property and Equipment, Net	9,456	17,420
Other Assets	<u>53,515</u>	<u>37,616</u>
TOTAL ASSETS	<u>\$ 95,461,138</u>	<u>\$ 87,212,420</u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Liabilities	\$ 90,532	\$ 54,399
Grants Payable, Net	2,169,957	2,080,375
Payable for Investments Purchased	41,390	34,263
Federal Excise Tax Payable	24,279	-
Income Taxes Payable	46,088	-
Deferred Federal Excise Tax Liability	<u>139,805</u>	<u>16,003</u>
Total Liabilities	<u>2,512,051</u>	<u>2,185,040</u>
Commitments - see Note 9		
NET ASSETS:		
Unrestricted Net Assets	<u>92,949,087</u>	<u>85,027,380</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 95,461,138</u>	<u>\$ 87,212,420</u>

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, 2010 and 2009

	<u>2010</u>	<u>2009</u>
INVESTMENT INCOME:		
Interest	\$ 111,594	\$ 4,149
Dividends	1,618,045	2,230,206
Income from Investments in Limited Partnerships	2,350,078	790,051
Net Realized Gain (Loss) on Sale of Investments	1,589,710	(4,921,567)
Net Unrealized Appreciation on Investments	6,190,078	20,760,772
Other Income	22,179	93,976
Amortization of Bond Premium	<u>(4,802)</u>	<u>(3,533)</u>
Total Investment Income	<u>11,876,882</u>	<u>18,954,054</u>
DIRECT EXPENSES:		
Investment Related Expenses	376,072	249,807
Federal Excise Tax Expense, Net	224,802	440,830
Current Income Taxes	<u>48,950</u>	<u>5,501</u>
Total Direct Expenses	<u>649,824</u>	<u>696,138</u>
Net Investment Income	<u>11,227,058</u>	<u>18,257,916</u>
GRANTS AND EXPENSES:		
Grants Authorized	2,537,709	2,506,225
Administrative Expenses	<u>767,642</u>	<u>765,913</u>
Total Grants and Expenses	<u>3,305,351</u>	<u>3,272,138</u>
CHANGE IN UNRESTRICTED NET ASSETS	7,921,707	14,985,778
UNRESTRICTED NET ASSETS, Beginning of Year	<u>85,027,380</u>	<u>70,041,602</u>
UNRESTRICTED NET ASSETS, End of Year	<u>\$ 92,949,087</u>	<u>\$ 85,027,380</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, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Unrestricted Net Assets	\$ 7,921,707	\$ 14,985,778
Adjustments to Reconcile Change in Unrestricted Net Assets to Net Cash Provided (Used) by Operating Activities:		
Net Realized (Gain) Loss on Sale of Investments	(1,589,710)	4,921,567
Net Unrealized Appreciation on Investments	(6,190,078)	(20,760,772)
Depreciation	9,151	9,653
Loss on Disposal of Equipment	1,127	-
Deferred Federal Excise Tax Expense	123,802	415,216
Amortization of Bond Premium	4,802	3,533
(Increase) Decrease in Assets:		
Dividends Receivable	33,147	82,572
Accrued Interest Purchased	27,696	(27,696)
Receivable for Investments Sold	(8,138)	(5,572)
Federal Excise Tax Receivable	31,820	31,215
Other Assets	(15,897)	(13,370)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Liabilities	36,131	(49,771)
Grants Payable, Net	89,582	(1,688,823)
Payable for Investments Purchased	7,127	490
Federal Excise Tax Payable	24,279	-
Current Income Taxes Payable	46,088	-
Net Cash Provided (Used) by Operating Activities	552,636	(2,095,980)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	(2,312)	-
Purchase of Investment Securities	(48,638,336)	(73,777,698)
Proceeds from Sale of Investment Securities	47,675,283	75,092,849
Sale (Purchase) of Cash Equivalents and Money Market Funds, Net	526,774	522,056
Net Cash Provided (Used) by Investing Activities	(438,591)	1,837,207
NET INCREASE (DECREASE) IN CASH	114,045	(258,773)
CASH, Beginning of Year	110,316	369,089
CASH, End of Year	\$ 224,361	\$ 110,316
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash Paid for Federal Excise Taxes	\$ 45,000	\$ -
Cash Paid for Current Income Taxes	\$ 2,911	\$ -
Payables for Investments Purchased	\$ 41,390	\$ 34,263

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 (the "Foundation"), a nonprofit organization located in Menlo Park, California (San Francisco, California starting in 2011), 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 two main goals: ensuring the well-being of children and youth; and strengthening public education. By doing so, the Foundation aims to assist young people in their transition to adulthood.

NOTE 2 - PROGRAM GRANTS:

The Foundation makes grants to the following types of programs:

Youth Programs - the youth programs seek to help underserved youth, ages 14-24, make successful transitions to adulthood. This is accomplished by supporting youth development principles, practices, and programs that help youth: build skills; make contributions to their community; form lasting, healthy relationships with peers and adults; and make decisions and participate actively in the youth organizations in which they are involved.

Education Programs - the education programs seek to prepare young people, ages 14-24, who are not on track to graduate or are first generation college-goers, to complete high school and obtain post-secondary credentials. The Foundation is particularly interested in cross-sector collaborations between school districts, local government, alternative education providers, community-based organizations, and community colleges that improve educational outcomes and options for off-track and out-of-school youth.

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.

Basis of Presentation - The Foundation follows standards of accounting and financial reporting as prescribed by the American Institute of Certified Public Accountants.

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, 2010 and 2009 consists of \$101,000 and \$25,614, respectively, and \$123,802 and \$415,216 of deferred tax expense, respectively, related to the net unrealized appreciation on investments held at December 31, 2010 and 2009, respectively.

Uncertainty in Income Taxes - Effective January 1, 2009 the Foundation implemented the new accounting requirements associated with uncertainty in income taxes. The new accounting requirements under 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, 2009, 2008 and 2007 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, 2009, 2008, 2007 and 2006 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, 2010 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, 2010. Subsequent events have been evaluated through the date the financial statements became available to be issued, August 12, 2011.

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, 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	\$ 936,195	\$ 936,195	\$ -	\$ -
Equities	28,952,877	28,952,877	-	-
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	-	-	5,956,395
Coliseum Capital Partners	<u>6,511,677</u>	<u>5,059,573</u>	<u>631,633</u>	<u>820,471</u>
Total Investments in Securities	<u>\$ 95,130,347</u>	<u>\$ 75,535,730</u>	<u>\$ 964,507</u>	<u>\$ 18,630,110</u>

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	South Ferry 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)	(48,218)	309,043
Change in Unrealized Appreciation	106,465	262,690	78,263	139,786	72,009	4,613	663,826
Net Purchases (Sales)	426,842	-	-	-	-	-	426,842
Net Contributions (Distributions)	-	377,558	(280,592)	492,358	756,000	6,000,000	7,345,324
Net Transfers In/Out of Level 3	<u>(332,848)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(332,848)</u>
Balance as of 12/31/10	<u>\$ 5,436,524</u>	<u>\$ 3,392,150</u>	<u>\$ 1,464,936</u>	<u>\$ 1,559,634</u>	<u>\$ 820,471</u>	<u>\$ 5,956,395</u>	<u>\$ 18,630,110</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, 2009 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	\$ 1,490,970	\$ 1,490,970	\$ -	\$ -
Equities	25,274,373	25,274,373	-	-
Fixed Income	29,079,872	29,079,872	-	-
Blackrock Mutual Fund - High Yield Bond	4,534,230	4,534,230	-	-
Stadium Capital Partners	4,439,786	4,182,278	257,508	-
Stadium Relative Value Partners	2,730,530	2,730,530	-	-
Marathon Fund	7,632,462	7,594,159	38,303	-
TIFF Absolute Return Pool II	6,707,437	861,470	595,459	5,250,508
CommonFund Partners	2,633,891	2,803	-	2,631,088
TIFF Partners IV, LLC	1,548,722	52,347	-	1,496,375
TIFF Private Equity Partners 2008, LLC	<u>846,811</u>	<u>6,859</u>	<u>-</u>	<u>839,952</u>
Total Investments in Securities	<u>\$ 86,919,084</u>	<u>\$ 75,809,891</u>	<u>\$ 891,270</u>	<u>\$ 10,217,923</u>

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	TOTAL
Balance as of 12/31/08	\$ 4,499,349	\$ 2,164,686	\$ 1,307,214	\$ 393,776	\$ 8,365,025
Realized Gain (Loss)	202,720	(109,150)	177,089	1,547	272,206
Change in Unrealized Appreciation (Depreciation)	2,115,273	252,306	141,568	(22,152)	2,486,995
Net Purchases (Sales)	(547,971)	-	-	-	(547,971)
Net Contributions (Distributions)	-	339,076	(129,496)	466,781	676,361
Net Transfers In/Out of Level 3	<u>(1,018,863)</u>	<u>(15,830)</u>	<u>-</u>	<u>-</u>	<u>(1,034,693)</u>
Balance as of 12/31/09	<u>\$ 5,250,508</u>	<u>\$ 2,631,088</u>	<u>\$ 1,496,375</u>	<u>\$ 839,952</u>	<u>\$ 10,217,923</u>

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, 2010 consisted of the following:

	Fair Value	Cost
Marketable Equity Securities	\$ 37,677,097	\$ 33,969,555
Fixed Income Funds	21,390,075	21,299,481
Limited Partnerships	35,126,980	31,934,875
Cash Equivalents and Money Market Funds	936,195	936,195
Total Investments in Securities	\$ 95,130,347	\$ 88,140,106

Investments in securities held at fair value and cost as of December 31, 2009 consisted of the following:

	Fair Value	Cost
Marketable Equity Securities	\$ 37,441,065	\$ 38,251,414
Fixed Income Funds	29,079,872	29,087,419
Limited Partnerships	18,907,177	17,289,111
Cash Equivalents and Money Market Funds	1,490,970	1,490,977
Total Investments in Securities	\$ 86,919,084	\$ 86,118,921

NOTE 5 - PROPERTY AND EQUIPMENT:

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

	2010	2009
Computers	\$ 15,901	\$ 21,245
Furniture and Fixtures	31,674	30,087
Computer Software	16,609	35,173
Leasehold Improvements	41,877	41,877
	106,061	128,382
Less: Accumulated Depreciation	(96,605)	(110,962)
Property and Equipment, Net	\$ 9,456	\$ 17,420

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, 2010 and 2009 was \$9,151 and \$9,653, 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>2010</u>	<u>2009</u>
2010	\$ -	\$ 1,702,250
2011	1,587,519	405,625
2012	528,668	37,500
2013	<u>75,000</u>	<u>-</u>
	2,191,187	2,145,375
Less: Discount on Long-Term Grants Payable	<u>(21,230)</u>	<u>(65,000)</u>
Grants Payable, Net of Discount	<u>\$ 2,169,957</u>	<u>\$ 2,080,375</u>

NOTE 7 - DEFINED CONTRIBUTION PLAN AND DEFERRED COMPENSATION:

The Foundation has 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 cover all employees who meet the eligibility requirements. During 2010 and 2009 the Board of Trustees approved contributions of 7%-15% of qualified employees' salaries representing \$28,062 and \$43,251, respectively. Deferred compensation for retired employees as of December 31, 2010 and 2009 was \$26,250 and \$28,500, respectively.

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

NOTES TO FINANCIAL STATEMENTS
(Continued)

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 2% rate for 2010 and 1% rate for 2009) 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.

For the years ended December 31, 2010 and 2009 federal excise tax expense consisted of the following:

	<u>2010</u>	<u>2009</u>
Current Federal Excise Tax Expense	\$ 101,000	\$ 25,614
Deferred Federal Excise Tax Expense	<u>123,802</u>	<u>415,216</u>
Federal Excise Tax Expense, Net	<u>\$ 224,802</u>	<u>\$ 440,830</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, 2010 and 2009, the Foundation had unrelated business taxable income resulting in unrelated business income taxes of \$48,950 and \$5,501, respectively.

NOTE 9 - COMMITMENTS:

Operating Lease

In 2010, the Foundation leased its office space under an operating lease which was set to expire in December 2011. 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, 2010 and 2009 was \$59,810 and \$62,792, respectively.

Investments

The Foundation has commitments to invest an additional \$5,934,772 in five limited partnership investments. The timing of the capital calls will be determined by the General Partners of the partnerships.
