

Altman Foundation

Financial Statements

December 31, 2010



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

Board of Trustees Altman Foundation

We have audited the accompanying statements of financial position of Altman Foundation (the "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 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Altman 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.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
September 6, 2011

Altman Foundation

Statements of Financial Position

December 31,

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash in operating account	\$ 688,052	\$ 1,620,275
Prepaid taxes	20,000	55,000
Prepaid expenses	42,642	44,384
Investments	242,426,532	230,034,430
Program related investments	1,800,000	800,000
Furniture, equipment and leasehold improvements, net	93,693	123,222
Deferred pension asset	<u>1,058,610</u>	<u>783,111</u>
Total Assets	<u>\$ 246,129,529</u>	<u>\$ 233,460,422</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	\$ 3,350,000	\$ 2,710,000
Accounts payable and accrued expenses	349,202	396,169
Current tax payable	4,000	16,000
Deferred federal excise tax liability	340,000	120,000
Deferred pension liability	<u>1,058,610</u>	<u>783,111</u>
Total Liabilities	<u>5,101,812</u>	<u>4,025,280</u>
Unrestricted net assets	<u>241,027,717</u>	<u>229,435,142</u>
Total Liabilities and Net Assets	<u>\$ 246,129,529</u>	<u>\$ 233,460,422</u>

See notes to financial statements

Altman Foundation

Statements of Activities

Years Ended December 31,

	<u>2010</u>	<u>2009</u>
REVENUE		
Interest, dividends and partnership revenue	\$ 2,620,832	\$ 1,693,881
Net realized gain (loss) on sale of investments	2,941,004	(2,604,617)
Net unrealized gain on investments	22,244,273	41,587,562
Other income	<u>35,775</u>	<u>25,708</u>
	27,841,884	40,702,534
Less: Direct investment expenses	(1,258,618)	(1,233,248)
Current Federal excise tax and state taxes	(35,348)	(25,177)
Deferred excise tax	<u>(220,000)</u>	<u>(120,000)</u>
Total Net Revenue	<u>26,327,918</u>	<u>39,324,109</u>
EXPENSES		
Grants authorized	12,320,290	9,448,836
Grant administration	1,757,404	1,826,161
Investment administration	<u>657,649</u>	<u>551,268</u>
Total Expenses	<u>14,735,343</u>	<u>11,826,265</u>
Change in Net Assets	11,592,575	27,497,844
NET ASSETS		
Beginning of year	<u>229,435,142</u>	<u>201,937,298</u>
End of year	<u>\$ 241,027,717</u>	<u>\$ 229,435,142</u>

See notes to financial statements

Altman Foundation

Statements of Cash Flows

Years Ended December 31,

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 11,592,575	\$ 27,497,844
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	29,527	33,039
Net realized (gain) loss on sale of investments	(2,941,004)	2,604,617
Net unrealized gain on investments	(22,244,273)	(41,587,562)
Deferred federal excise tax expense	220,000	120,000
Net change in operating assets and liabilities		
Prepaid taxes	35,000	6,000
Prepaid expenses	1,742	(2,648)
Grants payable	640,000	(2,664,000)
Accounts payable and accrued expenses	(46,967)	(54,945)
Current tax payable	(12,000)	-
	<u>(12,725,400)</u>	<u>(14,047,655)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Expended on program related investment	(1,000,000)	-
Proceeds from sale of investments	65,133,029	56,075,085
Purchase of investments	(52,312,020)	(44,927,127)
Net change in money market investments	(27,832)	2,613,584
	<u>11,793,177</u>	<u>13,761,542</u>
Net Cash from Investing Activities		
	<u>(932,223)</u>	<u>(286,113)</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	1,620,275	1,906,388
	<u>1,620,275</u>	<u>1,906,388</u>
End of year	\$ 688,052	\$ 1,620,275
	<u>\$ 688,052</u>	<u>\$ 1,620,275</u>

See notes to financial statements

Altman Foundation

Notes to Financial Statements

1. Organization

The Altman Foundation (the "Foundation") was established and funded in 1913 by Benjamin Altman, the founder of B. Altman & Co. Under its charter, the Foundation is limited to grants to organizations in New York State. The Foundation concentrates its support to educational institutions, hospitals and health centers, artistic and cultural institutions, and social welfare programs, primarily in the metropolitan New York City area.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. At December 31, 2010 and 2009, all net assets of the Foundation are considered unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with original maturities of three months or less, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

Fair Value Measurements

The Foundation follows Financial Accounting Standards Board (FASB) guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments, including private equity and real asset funds, has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund

Altman Foundation

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Investments Valuation (continued)

is used as a practical expedient to estimate the fair value of the Foundation's interest therein and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term. Because some of these investments are not readily marketable their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Grants

Grants are recorded as an expense when authorized by the Board of Trustees.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method. Leasehold improvements are depreciated over a fifteen-year period. Furniture and fixtures purchases are being depreciated over five years. Computer hardware and software is being depreciated over a five-year period. The Foundation capitalizes all property and equipment items over \$10,000.

Concentration of Credit Risk

The Foundation invests its cash and cash equivalents in multiple accounts with quality financial institutions. Throughout the year, balances in such investments exceeded the Federal insured limits.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement disclosure. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2007.

Altman Foundation

Notes to Financial Statements

2. Summary of Significant Accounting Policies *(continued)*

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 6, 2011.

3. Federal Excise Taxes

The Foundation is a nonprofit organization exempt from Federal income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code (the Code), and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to a Federal excise tax of 2% on its net investment income, as defined, for tax purposes. However, the excise tax is reduced to 1% if certain conditions are met. For 2010 and 2009 the Foundation's rate was 1%. The Foundation has met its minimum distribution requirement.

Deferred taxes principally arise from differences between the cost and fair value of investments held at year end.

4. Investments

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by fair value hierarchy:

Description	2010			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stocks				
Consumer discretionary	\$ 3,678,681	\$ -	\$ -	\$ 3,678,681
Financial services	3,055,121	-	-	3,055,121
Health care	2,506,250	-	-	2,506,250
Industrial	3,514,827	-	-	3,514,827
Information technology	7,865,828	-	-	7,865,828
Other	8,931,507	-	-	8,931,507
Fixed income mutual funds	-	6,672,718	-	6,672,718
International equity funds	-	38,871,946	-	38,871,946
Private equity (a)	-	-	40,520,495	40,520,495
Hedge funds (a)	-	45,521,670	59,527,356	105,049,026
Real asset funds (a)	6,552,684	-	10,869,523	17,422,207
	<u>36,104,898</u>	<u>91,066,334</u>	<u>110,917,374</u>	<u>238,088,606</u>
Temporary cash investments	3,339,259	-	-	3,339,259
Unsettled security trades - net	(1,333)	-	1,000,000	998,667
	<u>\$ 39,442,824</u>	<u>\$ 91,066,334</u>	<u>\$ 111,917,374</u>	<u>\$ 242,426,532</u>

Altman Foundation

Notes to Financial Statements

4. Investments (continued)

Description	2009			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
Common Stocks				
Consumer discretionary	\$ 3,063,474	\$ -	\$ -	\$ 3,063,474
Financial services	3,876,816	376,850	-	4,253,666
Health care	3,374,421	-	-	3,374,421
Industrial	3,043,727	-	-	3,043,727
Information technology	8,185,721	-	-	8,185,721
Other	8,292,174	-	-	8,292,174
Fixed income mutual funds	-	8,684,912	-	8,684,912
International equity funds	-	39,791,797	-	39,791,797
Private equity (a)	-	-	32,258,997	32,258,997
Hedge funds (a)	-	42,008,073	54,476,921	96,484,994
Real asset funds (a)	<u>5,278,899</u>	<u>-</u>	<u>6,147,164</u>	<u>11,426,063</u>
	35,115,232	90,861,632	92,883,082	218,859,946
Temporary cash investments	11,138,633	-	-	11,138,633
Unsettled security trades - net	<u>35,851</u>	<u>-</u>	<u>-</u>	<u>35,851</u>
	<u>\$ 46,289,716</u>	<u>\$ 90,861,632</u>	<u>\$ 92,883,082</u>	<u>\$ 230,034,430</u>

(a) Based on its analysis of the nature and risks of these investments, the Foundation has determined that presenting them as a single class is appropriate.

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31:

	2010			
	Private Equity	Hedge Funds	Real Asset Funds	Total
Beginning balance	\$ 32,258,997	\$ 54,476,921	\$ 6,147,164	\$ 92,883,082
Realized gains(losses)	545,573	5,252	(5,306)	545,519
Unrealized gains(losses)	4,343,747	4,750,996	(162,797)	8,931,946
Transfers between asset categories	(3,756,338)		3,756,338	-
Purchases, issuances and settlements	<u>7,128,516</u>	<u>294,187</u>	<u>1,134,124</u>	<u>8,556,827</u>
Ending balance	<u>\$ 40,520,495</u>	<u>\$ 59,527,356</u>	<u>\$ 10,869,523</u>	<u>\$ 110,917,374</u>
	2009			
	Private Equity	Hedge Funds	Real Asset Funds	Total
Beginning balance	\$ 24,368,771	\$ 49,905,322	\$ 10,667,865	\$ 84,941,958
Realized gains(losses)	300,097	-	(382,462)	(82,365)
Unrealized gains(losses)	3,294,296	9,379,544	(4,808,052)	7,865,788
Purchases, issuances and settlements	<u>4,295,833</u>	<u>(4,807,945)</u>	<u>669,813</u>	<u>157,701</u>
Ending balance	<u>\$ 32,258,997</u>	<u>\$ 54,476,921</u>	<u>\$ 6,147,164</u>	<u>\$ 92,883,082</u>

Altman Foundation

Notes to Financial Statements

4. Investments (continued)

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2010 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (see "a" below)	\$ 105,049,026	\$ 3,625,000	Quarterly-Annually	90 days
Private equity (see "b" below)	40,520,495	30,629,298	Locked	N/A
Real asset funds (see "c" below)	10,869,523	5,126,250	Locked	N/A
International equity funds (see "d" below)	38,871,946	-	Monthly	6-30 days
Total	<u>\$ 195,310,990</u>	<u>\$ 39,380,548</u>		

- a. This category includes investments in hedge funds that invest both long and short, predominantly in limited partnerships and similar pooled investment vehicles. These funds were primarily formed with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed quarterly to annually. Investments representing approximately 15 percent of the value of the investments in this category cannot be redeemed because the investments include restrictions that either a) do not allow for redemption in the first 12 to 30 months after acquisition or, b) do not allow redemption in whole. The remaining restriction period for these investments ranged from twelve to sixteen months at December 31, 2010.
- b. This category includes several private equity funds that invest primarily in international and domestic private equity and venture capital partnerships. These investments can never be redeemed with the funds. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of the fund will be liquidated over 5 to 8 years.
- c. This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in the partners' fund. Investors will receive the value of the underlying investments as the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 7 to 10 years.
- d. This category includes investments in equity and equity-linked instruments issued by companies which have their registered office in countries other than the United States, or which exercise a preponderant part of their economic activities in countries other than the United States, including countries classified as emerging markets. These funds were primarily formed with the purpose of achieving capital appreciation

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Notes to Financial Statements

4. Investments (*continued*)

over the medium- to long-term by allocating its capital among various money managers. The fair values of investments in this category have been estimated using the net asset value per share of the investments as recalculated monthly. Redemptions are permitted on a monthly basis with between six and thirty business days notice.

5. Program Related Investments (PRIs)

PRIs, defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations.

The Foundation's PRI loans issued in 2006 and 2008 bear interest at below-market rates of 2%. During 2010, a new PRI loan of \$1,000,000 was authorized and disbursed. This loan bears no interest and is redeemable January 15, 2012.

6. Retirement Plans

The Foundation provides a 403(b) deferred compensation and savings plan to eligible employees. Employee contributions are permitted with the Foundation matching one-half of these contributions up to a maximum of 5% of salary per employee in 2010 and 2009.

The Foundation also maintains a profit sharing plan for eligible employees. For 2010 and 2009, the Foundation's contribution was based on the maximum contribution allowable under IRC Section 415 limits.

The Foundation has also established a non-qualified retirement plan for employees for which contributions to qualified pension plans are limited.

A summary of retirement expense is as follows:

	2010	2009
403(b) plan-employer match	\$ 40,874	\$ 35,581
Profit sharing plan	135,176	80,000
Non-qualified retirement plan	113,860	212,499
	<u>\$ 289,910</u>	<u>\$ 328,080</u>

Altman Foundation

Notes to Financial Statements

7. Lease Commitments

In November 1999 the Foundation entered into a 15 year 4.5 month lease for the entire 35th floor of 521 Fifth Avenue, New York City for its office. The lease commenced March 15, 2000.

Under the terms of the lease, remaining minimum lease payments are as follows:

2011	\$ 289,644
2012	289,644
2013	289,644
2014	289,644
2015	<u>168,959</u>
Total	<u>\$ 1,327,535</u>

In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of \$68,409. Rent expense was \$348,491 and \$320,904 for 2010 and 2009.

8. Furniture, Equipment and Leasehold Improvements

At December 31, 2010 and 2009, furniture, equipment and leasehold improvements at the Foundation were as follows:

	<u>2010</u>	<u>2009</u>
Leasehold improvements	\$ 281,238	\$ 281,238
Furniture and equipment	297,217	297,217
Computer hardware and software	<u>63,603</u>	<u>63,603</u>
	642,058	642,058
Less accumulated depreciation	<u>548,365</u>	<u>518,836</u>
	<u>\$ 93,693</u>	<u>\$ 123,222</u>

Depreciation expense for 2010 and 2009 was \$29,527 and \$33,039.

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Notes to Financial Statements

9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2010 and 2009 are to be made as follows:

	<u>2010</u>	<u>2009</u>
Less than one year	\$ 2,875,000	\$ 1,935,000
One to four years	<u>475,000</u>	<u>775,000</u>
Total grants payable	<u>\$ 3,350,000</u>	<u>\$ 2,710,000</u>