Altman Foundation

Financial Statements

December 31, 2008

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, 2008 and 2007, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2008 and 2007, 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 16, 2009

Altman Foundation

Statements of Financial Position

December 31,

	2008	2007
ASSETS		
Cash in operating accounts	$ 1,906,388	$ 8,038,901
Investments	204,813,028	283,231,216
Investment receivable	-	68,284
Prepaid taxes	61,000	-
Prepaid expenses	41,736	27,792
Program loan receivables	800,000	500,000
Furniture, equipment and leasehold improvements, net	156,260	208,708
Total Assets	$ 207,778,412	$ 292,074,901
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 5,374,000	$ 2,709,500
Accounts payable and accrued expenses	467,114	243,739
Federal excise tax payable	-	50,000
Deferred federal excise tax liability	-	425,000
Total Liabilities	5,841,114	3,428,239
Unrestricted net assets	201,937,298	288,646,662
Total Liabilities and Net Assets	$ 207,778,412	$ 292,074,901

See notes to financial statements

Altman Foundation

Statements of Activities

Years Ended December 31,

	2008	2007
REVENUES		
Interest, dividends and partnership revenue	$ 3,341,801	$ 5,803,055
Net realized gain on sale of investments	1,290,989	25,418,706
Net unrealized (loss) gain on investments		
net of deferred excise tax of $-0- and $425,000	(72,090,665)	4,809,695
Other income	19,656	82,604
	(67,438,219)	36,114,060
Less: Direct investment expenses	(2,053,199)	(1,916,108)
Federal excise expense	(25,000)	(307,527)
Total Investment (Loss) Revenue	(69,516,418)	33,890,425
EXPENSES		
Grants authorized	14,678,114	13,155,038
Grant administration expenses	1,741,076	1,430,631
Investment administration expenses	773,756	573,176
Total Expenses	17,192,946	15,158,845
Change in Net Assets	(86,709,364)	18,731,580
NET ASSETS		
Beginning of year	288,646,662	269,915,082
End of year	$ 201,937,298	$ 288,646,662

See notes to financial statements

Altman Foundation

Statements of Cash Flows

Years Ended December 31,

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (86,709,364)	$ 18,731,580
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	57,784	57,295
Net realized gain on sale of investments	(1,290,989)	(25,418,706)
Net unrealized loss (gain) on investments	72,515,665	(4,809,695)
Deferred federal excise tax expense	(425,000)	40,958
Net change in operating assets and liabilities		
Accrued investment income receivable	68,284	9,770
Prepaid taxes	(61,000)	148
Prepaid expenses	(13,944)	(25,490)
Program loan receivable	(300,000)	
Grants payable	2,664,500	(1,078,750)
Accounts payable and accrued expenses	223,375	(51,377)
Federal excise tax payable	(50,000)	50,000
Net Cash from Operating Activities	(13,320,689)	(12,494,267)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(5,337)	(2,593)
Proceeds from sale of investments	149,186,424	156,725,182
Purchase of investments	(145,918,998)	(137,050,542)
Net change in money market investments	3,926,087	(532,528)
Net Cash from Investing Activities	7,188,176	19,139,519
Net Change in Cash and Cash Equivalents	(6,132,513)	6,645,252
CASH AND CASH EQUIVALENTS		
Beginning of year	8,038,901	1,393,649
End of year	$ 1,906,388	$ 8,038,901
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for federal excise tax on investment income	$ 75,000	$ 195,000

See notes to financial statements

Altman Foundation

Notes to Financial Statements

1. Organization

The Altman 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. As December 31, 2008, 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.

Investments

The Foundation adopted Financial Accounting Standard Board Statement No. 157, Fair Value Measurements, ("SFAS 157") as of January 1, 2008, which, among other things, defines fair value, establishes a hierarchal framework for measuring fair value and expands disclosure about fair value measurements. SFAS 157 defines fair value 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. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. SFAS 157 states that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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

Investments (continued)

The fair value hierarchy prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 being the highest priority:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments in marketable securities are valued at quoted market prices. Investments in private equity, alternative investments and real asset funds are ordinarily valued at the most recent estimate determined by the investment manager or agents based upon the valuation reported by the fund administrators in accordance with the policies established by the relevant funds. Because 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. As a general matter, the fair value of the Foundation investment in these funds will represent the amount that the Foundation could reasonably expect to receive from the fund if the Foundation's interest were redeemed at the time of valuation, based upon the information reasonably available at the time the valuation was made.

Valuations provided by these funds may be based upon estimated or unaudited reports, and may be subject to later adjustment or revision. Any such adjustments or revision will either increase or decrease the net asset value of the Foundation at the time the Foundation is provided with the information regarding the adjustment.

Realized gains and losses from the sale of securities are recorded on a "trade date" basis under the specific identification method for determining cost.

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

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 prior to January 1, 2001 are being depreciated over a ten-year period. Subsequent additions 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 $1,000.

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

Reclassification

Certain items in the 2007 financial statements have been reclassified for comparative purposes only.

Accounting for Uncertainty in Income Taxes

The Foundation's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

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 2008 and 2007 the Foundation's rate was 1%. The Foundation has met its minimum distribution requirement.

3. Federal Excise Taxes (*continued)*

Deferred taxes principally arise from differences between the cost and fair value of investments. No deferred taxes are recorded in 2008 since the fair value of investments was lower than the cost. For 2007 deferred tax was $425,000.

4. Investments

The following are major categories of investments measured at fair value at December 31:

	2008			
Description	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Temporary cash investments	$ 15,911,950	$ -	$ -	$ 15,911,950
Fixed income mutual funds	-	9,083,462	-	9,083,462
Private equity	-	-	24,368,771	24,368,771
Alternative investments	-	5,218,997	79,502,099	84,721,096
Real asset funds	3,772,845	-	10,667,865	14,440,710
Common stocks	22,139,228	297,273	-	22,436,501
International equity funds	-	27,845,260	-	27,845,260
	41,824,023	42,444,992	114,538,735	198,807,750
Unsettled security trades - net	5,278	6,000,000	-	6,005,278
	$ 41,829,301	$ 48,444,992	$ 114,538,735	$ 204,813,028

	2007			
Description	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Temporary cash investments	$ 4,332,405	$ -	$ -	$ 4,332,405
Fixed income mutual funds	24,299,910	-	-	24,299,910
Private equity	-	-	20,724,654	20,724,654
Alternative investments	-	16,548,591	63,285,286	79,833,877
Real asset funds	6,657,941	-	13,088,195	19,746,136
Common stocks	68,879,654	480,812	-	69,360,466
International equity funds	-	61,414,687	-	61,414,687
	104,169,910	78,444,090	97,098,135	279,712,135
Unsettled security trades - net	3,519,081	-	-	3,519,081
	$ 107,688,991	$ 78,444,090	$ 97,098,135	$ 283,231,216

4. Investments (*continued)*

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2008:

	Level 3
Beginning balance	$ 97,098,135
Realized gains	590,879
Unrealized losses	(22,530,850)
Purchases, issuances and settlements	39,380,571
Ending balance	$ 114,538,735

The Foundation has commitments to invest up to $90,486,044 in seventeen limited partnerships. At December 31, 2008, the required capital contributions had totaled $37,011,420 leaving a balance of $53,474,624.

5. Retirement Plans

The Foundation provides a 403(b) 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 2008 and 2007.

The Foundation also maintains a profit sharing plan for eligible employees. For 2008 and 2007, the Foundation's contribution was based on approximately 9% of eligible salary for officers and 7% for the remainder of the staff.

Contributions to the profit sharing plan and 403(b) plan are limited under provisions of the Internal Revenue Code.

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

A summary of retirement expense is as follows:

	2008	2007
Profit sharing plan	$ 48,245	$ 65,756
403(b) plan-employer match	24,658	30,145
Non-qualified retirement plan	373,598	45,251
	$ 446,501	$ 141,152

6. 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 for minimum distribution requirement purposes. During 2008, a new PRI loan commitment of $300,000 was authorized and disbursed. The Foundation's PRI loans bear interest at below-market rates of 2%.

7. Lease Commitments

In November 1999 the Foundation entered into a 15 year, 4 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, the minimum lease payments are as follows:

2009	278,000
2010	287,218
2011	289,644
2012	289,644
2013	289,644
2014-2015	446,535
Total	$ 1,880,685

In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of $68,409. Rent expense was $323,009 and $328,180 for 2008 and 2007.

8. Furniture, Equipment and Leasehold Improvements

At December 31, 2008 and 2007, furniture, equipment and leasehold improvements at the Foundation were as follows:

	2008	2007
Leasehold improvements	$ 281,238	$ 281,238
Furniture and equipment	297,217	297,217
Computer hardware and software	63,603	58,266
	642,058	636,721
Less accumulated depreciation	485,798	428,013
	$ 156,260	$ 208,708

Depreciation expense recorded for 2008 and 2007 was $57,785 and $60,064.

9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2008 and 2007 are to be made as follows:

	2008	2007
Less than one year	$ 3,359,000	$ 2,185,500
One to four years	2,015,000	524,000
Total grants payable	$ 5,374,000	$ 2,709,500

10. Line of Credit

In 2008, the Foundation established a line of credit agreement with the Northern Trust Company for $25 million. The line is not secured and is payable on demand. Interest is payable at LIBOR plus 0.80%. There were no outstanding borrowings at December 31, 2008.

11. Risks and Uncertainties

The credit and liquidity crisis in the United States continues to have substantial volatility in the global financial markets. Consequently, the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions. The amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.