Altman Foundation

Financial Statements

December 31, 2009

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, 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.

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, 2009 and 2008, 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 28, 2010

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Altman Foundation

Statements of Financial Position

December 31,

	2009	2008
ASSETS		
Cash in operating accounts	$ 1,620,275	$ 1,906,388
Prepaid taxes	55,000	61,000
Prepaid expenses	44,384	41,736
Investments	230,034,430	204,813,028
Program related investments	800,000	800,000
Furniture, equipment and leasehold improvements, net	123,222	156,260
Deferred pension asset	783,111	349,583
Total Assets	$ 233,460,422	$ 208,127,995
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 2,710,000	$ 5,374,000
Accounts payable and accrued expenses	412,169	467,114
Deferred federal excise tax liability	120,000	-
Deferred pension liability	783,111	349,583
Total Liabilities	4,025,280	6,190,697
Unrestricted net assets	229,435,142	201,937,298
Total Liabilities and Net Assets	$ 233,460,422	$ 208,127,995

See notes to financial statements

Altman Foundation

Statements of Activities

Years Ended December 31,

	2009	2008
REVENUES		
Interest, dividends and partnership revenue	$ 1,693,881	$ 3,341,801
Net realized (loss) gain on sale of investments	(2,604,617)	1,290,989
Net unrealized gain (loss) on investments		
net of deferred excise tax	41,467,562	(72,090,665)
Other income	25,708	19,656
	40,582,534	(67,438,219)
Less: Direct investment expenses	(1,233,248)	(2,053,199)
Federal and state taxes	(25,177)	(25,000)
Total Investment Revenue (Loss)	39,324,109	(69,516,418)
EXPENSES		
Grants authorized	9,448,836	14,678,114
Grant administration expenses	1,826,161	1,741,076
Investment administration expenses	551,268	773,756
Total Expenses	11,826,265	17,192,946
Change in Net Assets	27,497,844	(86,709,364)
NET ASSETS		
Beginning of year	201,937,298	288,646,662
End of year	$ 229,435,142	$ 201,937,298

See notes to financial statements

Altman Foundation

Statements of Cash Flows

Years Ended December 31,

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 27,497,844	$ (86,709,364)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	33,039	57,784
Net realized loss (gain) on sale of investments	2,604,617	(1,290,989)
Net unrealized (gain) loss on investments	(41,587,562)	72,515,665
Deferred federal excise tax expense (benefit)	120,000	(425,000)
Net change in operating assets and liabilities		
Accrued investment income receivable	-	68,284
Prepaid taxes	6,000	(61,000)
Prepaid expenses	(2,648)	(13,944)
Program related investment	-	(300,000)
Grants payable	(2,664,000)	2,664,500
Accounts payable and accrued expenses	(54,945)	173,375
Net Cash from Operating Activities	(14,047,655)	(13,320,689)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	-	(5,337)
Proceeds from sale of investments	56,075,085	149,186,424
Purchase of investments	(44,927,127)	(145,918,998)
Net change in money market investments	2,613,584	3,926,087
Net Cash from Investing Activities	13,761,542	7,188,176
Net Change in Cash and Cash Equivalents	(286,113)	(6,132,513)
CASH AND CASH EQUIVALENTS		
Beginning of year	1,906,388	8,038,901
End of year	$ 1,620,275	$ 1,906,388
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for federal excise tax on investment income	$ -	$ 75,000

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

Accounting Changes

In July 2009, the FASB Accounting Standards Codification (the ASC) became the single source of generally accepted accounting principles (GAAP) in the United States. The ASC did not change GAAP, however, it introduced a new structure to the accounting literature and changed references to accounting standards and other authoritative accounting guidance. Application of the Codification did not have an effect on the Foundation's financial condition, changes in net assets or cash flows.

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, 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 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

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

Fair Value Measurements (*continued*)

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 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 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.

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

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 2006.

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 28, 2010.

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 2009 and 2008 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. For 2009 deferred taxes are $120,000. No deferred taxes were recorded in 2008 since the fair value of investments was lower than the cost.

4. Investments

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

	2009			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Temporary cash investments	$ 11,138,633	$ -	$ -	$ 11,138,633
Fixed income mutual funds	-	8,684,912	-	8,684,912
Private equity	-	-	32,258,997	32,258,997
Alternative investments	-	42,008,073	54,476,921	96,484,994
Real asset funds	5,278,899	-	6,147,164	11,426,063
Common stocks	29,836,333	376,850	-	30,213,183
International equity funds	-	39,791,797	-	39,791,797
	46,253,865	90,861,632	92,883,082	229,998,579
Unsettled security trades - net	35,851	-	-	35,851
	$ 46,289,716	$ 90,861,632	$ 92,883,082	$ 230,034,430

	2008			
Description	Quoted Prices in Active Markets for Identical 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	-	34,815,774	49,905,322	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	72,041,769	84,941,958	198,807,750
Unsettled security trades - net	5,278	6,000,000	-	6,005,278
	$ 41,829,301	$ 78,041,769	$ 84,941,958	$ 204,813,028

4. Investments (*continued)*

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 2009:

	Private Equity	Alternative Investments	Real Asset Funds
Beginning balance	$ 24,368,771	$ 49,905,322	$ 10,667,865
Realized gains(losses)	300,097	-	(382,462)
Unrealized gains(losses)	3,294,296	9,379,544	(4,808,052)
Purchases, issuances and settlements	4,295,833	(4,807,945)	669,813
Ending balance	$ 32,258,997	$ 54,476,921	$ 6,147,164

Information regarding the Level 3 investments at December 31, 2009 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private equity (see "a" below)	$ 32,258,997	$ 43,947,548	Locked	N/A
Alternative investments (see "b" below)	54,476,921	-	Quarterly-Annually	90 days
Real asset funds (see "c" below)	6,147,164	2,562,500	Locked	N/A
Total	$ 92,883,082	$ 46,510,048		

a. This category includes several private equity funds that invest primarily in international and domestic private equity and venture capital partnerships. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Management has estimated that the underlying assets of the fund will be liquidated over 5 to 8 years.

b. This category includes investments in “hedge funds” that invest 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. 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 20 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 a full redemption at a particular time.

4. Investments (*continued)*

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.

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 2009 and 2008.

The Foundation also maintains a profit sharing plan for eligible employees. For 2009 and 2008, 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 which effective with the 2009 year was reflected on the statement of financial position as an asset and liability. The statement of financial position for the 2008 year was restated to include comparative amounts.

A summary of retirement expense is as follows:

	2009	2008
Profit sharing plan	$ 80,000	$ 48,245
403(b) plan-employer match	35,581	24,658
Non-qualified retirement plan	212,499	373,598
	$ 328,080	$ 446,501

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. 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:

2010	287,218
2011	289,644
2012	289,644
2013	289,644
2014	289,644
2015	156,891
Total	$ 1,602,685

In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of $68,409. Rent expense was $320,904 and $323,009 for 2009 and 2008.

8. Furniture, Equipment and Leasehold Improvements

At December 31, 2009 and 2008, furniture, equipment and leasehold improvements at the Foundation were as follows:

	2009	2008
Leasehold improvements	$ 281,238	$ 281,238
Furniture and equipment	297,217	297,217
Computer hardware and software	63,603	63,603
	642,058	642,058
Less accumulated depreciation	518,836	485,798
	$ 123,222	$ 156,260

Depreciation expense for 2009 and 2008 was $33,039 and $57,785.

9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2009 and 2008 are to be made as follows:

	2009	2008
Less than one year	$ 1,935,000	$ 3,359,000
One to four years	775,000	2,015,000
Total grants payable	$ 2,710,000	$ 5,374,000

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, 2009. The line of credit expired on December 31, 2009.