

---

# FINANCIAL STATEMENTS

Ford Foundation grants are designed to address societal issues worldwide, requiring sustained engagement to effect change and periodic adjustments to ensure goals are met. In order to pursue consistent, multiyear programming and strategies, the foundation tries to invest and budget in ways that produce consistent patterns while preserving the value of the investment portfolio.

Ford's board of trustees approves program and operational budgets on a two-year basis, appropriating one year's funding at a time. This enables program, administrative and investment staff to plan ahead with a reasonable degree of certainty. The size of the two-year budget takes into account three considerations: the need to satisfy the U.S. federal payout requirement (the obligation to disburse annually about 5 percent of the average value of the investment portfolio); the objective of preserving the value of the endowment for long-term charitable funding; and program needs and opportunities. Because the budget is based on several considerations, the foundation does not restrict its spending to the amount needed to meet the payout requirement. In fact, as Chart 2 shows, the foundation generally exceeds these requirements. In the last six years, the foundation's payout has averaged 5.8 percent, well above requirements.

Program spending, shown in Chart 1, reflects the grants and program-related investments made in all Ford offices during the fiscal year. Funds are drawn on allocations made at the outset of the budget period, as well as from the general reserve, an annual set-aside of a portion of the budget. This reserve is controlled by the trustees. It is used for grants when markets are steady or rising but held (in whole or part) and not used in declining markets. The general reserve serves as a hedge in case of a downturn in foundation portfolio values in order to protect foundation grantees from market fluctuations.

Since the early 1970s it has been the policy of the foundation to try to preserve the real (inflation-adjusted) value of the endowment, as the level of program spending by the foundation is related to the value of the endowment (Chart 1 shows this relationship starting in 1970). The difficulty of achieving this—particularly if spending exceeds the payout requirement on a regular basis—is reflected in Chart 3. This chart shows the value of the endowment since 1970 in both real and nominal terms. As indicated, even with the bull market of the 1980s and 1990s, the foundation has not made up for the erosion of the investment portfolio in the 1970s. Importantly, over the 38-year period covered by the chart, the foundation has disbursed \$13.5 billion, more than four times the value of the endowment at the beginning of the period.

---

---

**FROM TIME TO TIME, DRIVEN BY  
AN OPPORTUNITY FOR IMPACT, THE  
FOUNDATION WILL FUND GRANTS WELL  
ABOVE REQUIRED LIMITS.**

---

---

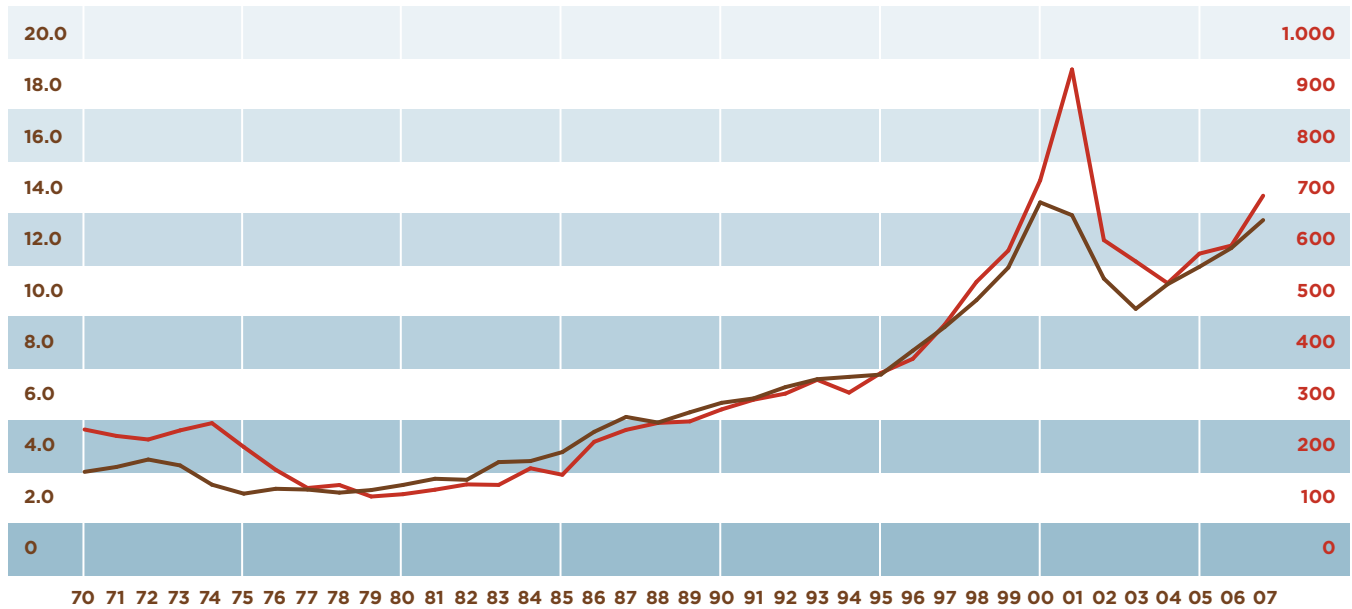
**CHART 1**

**AVERAGE INVESTMENT PORTFOLIO VALUES**

\$ Billions

**PROGRAM SPENDING**

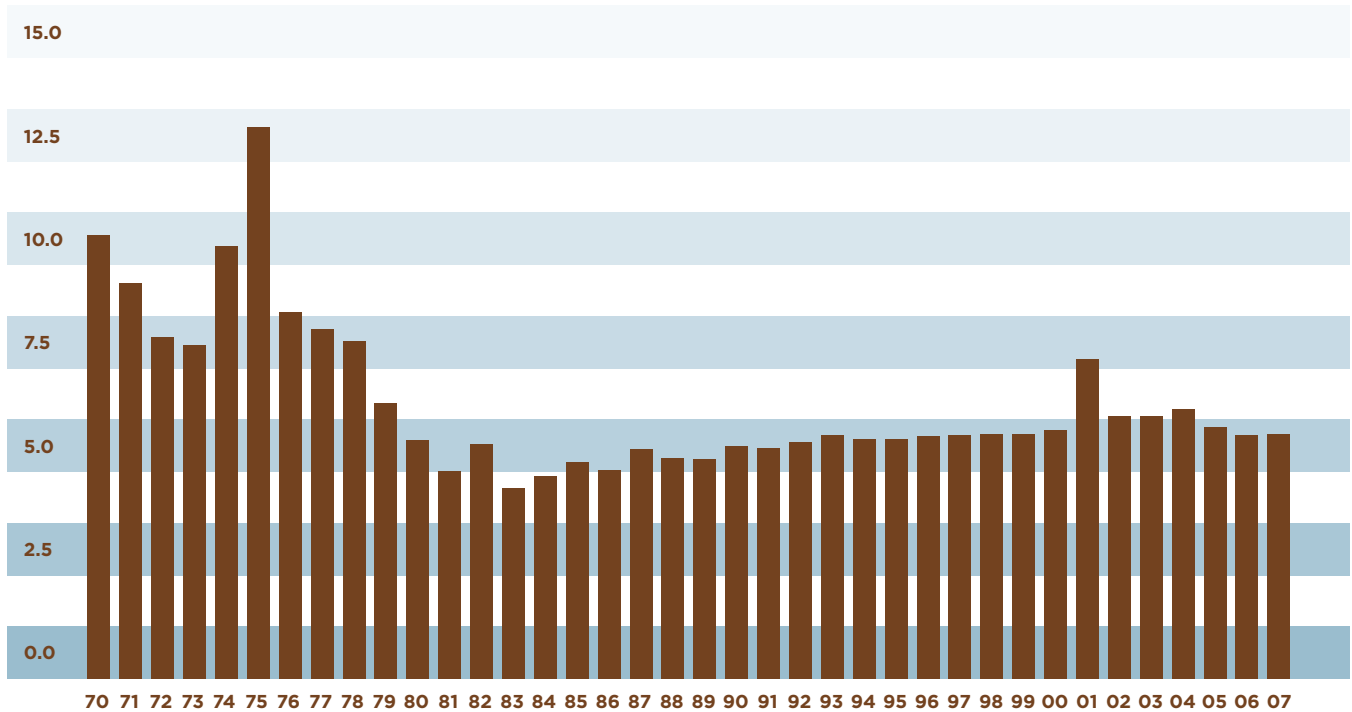
\$ Millions



**CHART 2 — PAYOUT RATE**

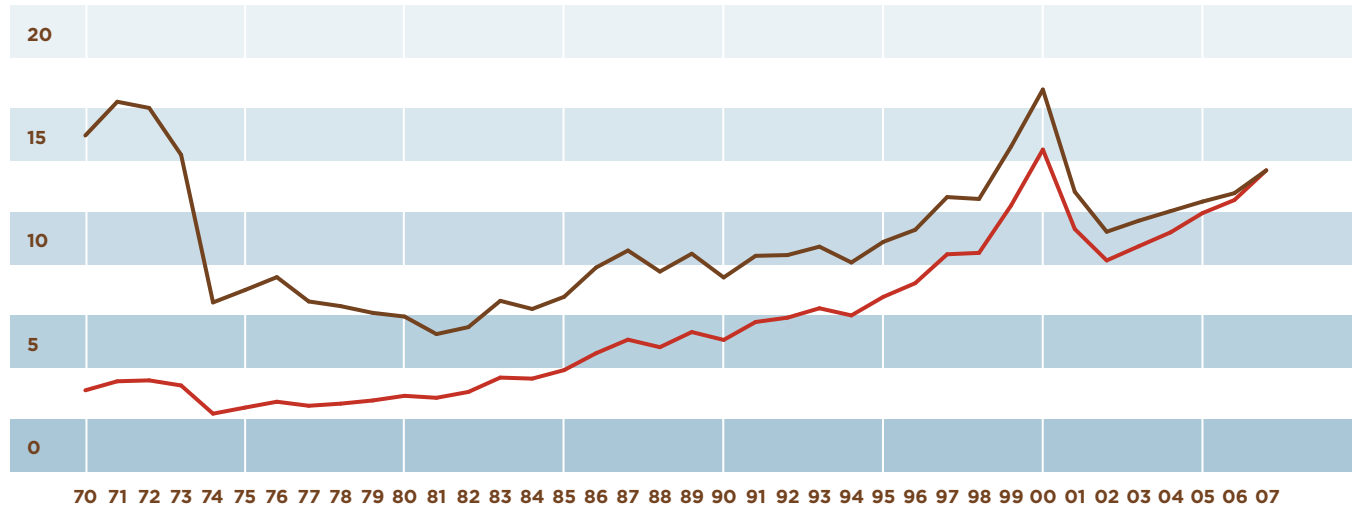
**DISTRIBUTION AS A PERCENTAGE OF AVERAGE INVESTMENT PORTFOLIO VALUES**

%



**CHART 3 — INVESTMENT PORTFOLIO VALUES**  
**REAL (2007) DOLLARS / NOMINAL VALUE**

\$ Billions



**INVESTMENTS**

The foundation’s investment portfolio was valued at \$13.5 billion at the end of fiscal 2007, versus \$12.1 billion at the close of 2006. The portfolio rate of return was 18.7 percent for the fiscal year, 15.3 percent annualized for the three-year period and 9.9 percent annualized for the 10-year period. The foundation’s primary investment objective is to generate an inflation-adjusted return in excess of our mandated minimum 5 percent payout requirement.

International equity markets had outstanding returns for the fiscal year, with our managers’ rate of return at 33.0 percent for the year. U.S. equities returned 16.9 percent and private equity returned 24.1 percent for the year. Fixed-income markets were volatile throughout the year, but our fixed-income portfolio returned 4.7 percent for the year.

The foundation’s asset allocation policy reflects our grantees’ diversity, with a focus on stable, long-term growth. Comparing the asset allocation from the end of fiscal 2006 to fiscal 2007 shows that fixed-income exposure declined, while international and private equity exposure increased. As markets become more turbulent in 2008, we will continue to adjust the portfolio mix.

---



---

**THE FOUNDATION’S PRIMARY INVESTMENT OBJECTIVE IS TO GENERATE AN INFLATION-ADJUSTED RETURN IN EXCESS OF OUR MANDATED MINIMUM 5 PERCENT PAYOUT REQUIREMENT.**

---



---

**PORTFOLIO COMPONENTS**

As of September 30

	2007		2006	
	Market value <i>in millions</i>	Percent of total	Market value <i>in millions</i>	Percent of total
<b>MARKETABLE SECURITIES</b>				
<b>U.S. EQUITIES</b>	\$ 5,065.4	37.5	\$ 4,757.7	39.5
<b>INTERNATIONAL EQUITIES</b>	3,562.2	26.5	2,904.1	24.1
<b>TOTAL PUBLIC EQUITIES</b>	8,627.6	64.0	7,661.8	63.6
<b>PRIVATE EQUITIES</b>	1,568.3	11.6	1,199.4	9.9
<b>TOTAL EQUITIES</b>	10,195.9	75.6	8,861.2	73.5
<b>U.S. FIXED INCOME</b>	2,694.0	20.0	2,587.8	21.5
<b>INTERNATIONAL FIXED INCOME</b>	124.3	0.9	205.8	1.7
<b>SHORT-TERM INVESTMENTS</b>	479.9	3.5	400.6	3.3
<b>TOTAL FIXED INCOME</b>	3,298.2	24.4	3,194.2	26.5
	<b>\$ 13,494.1</b>	<b>100.0</b>	<b>\$ 12,055.4</b>	<b>100.0</b>

**INCOME AND EXPENDITURES**

Total realized income, including capital gains, amounted to \$1.438 billion in fiscal year 2007, compared with \$1.089 billion in fiscal 2006. Dividends and interest income totaled \$364 million, or \$27 million above fiscal 2006. Total program activities (primarily grants to organizations and individuals, direct charitable activities and program support) were \$683 million, representing an increase of \$94 million over the previous year. General management expenditures were \$30 million, representing \$0.1 million over the previous year. Expenses incurred in the production of income were \$39 million, a \$3.1 million increase over fiscal year 2006.

**PROGRAM-RELATED INVESTMENTS (PRIs)**

Each year the foundation invests a portion of its endowment in projects that advance philanthropic purposes in various areas of the foundation's interest. The trustees have earmarked up to \$280 million of the corpus for these investments. The investments are in the form of debt or equity financing or loan guarantees. As of September 30, 2007, the foundation had \$142.3 million in investments and \$23.7 million in funding commitments.

During the fiscal year, new PRI loan commitments of \$24 million were made and \$26.2 million were disbursed. Principal repayments of \$14.7 million were received. The following table summarizes the PRI program for fiscal years 2007 and 2006.

**PROGRAM-RELATED INVESTMENTS SUMMARY***As of September 30*

	<b>2007</b> <i>in thousands</i>	<b>2006</b> <i>in thousands</i>
<b>INVESTMENTS OUTSTANDING, BEGINNING OF FISCAL YEAR</b>	\$132,163	\$127,845
<b>ACTIVITY DURING YEAR:</b>		
– INVESTMENTS DISBURSED	26,184	18,749
– PRINCIPAL REPAID	(14,671)	(14,431)
– INVESTMENTS WRITTEN OFF	(1,365)	
<b>INVESTMENTS OUTSTANDING, END OF FISCAL YEAR</b>	142,311	132,163
<b>COMMITMENTS FOR INVESTMENTS</b>	23,717	30,276
<b>TOTAL INVESTMENTS AND COMMITMENTS OUTSTANDING</b>	\$166,028	\$162,439
<b>ALLOWANCE FOR POSSIBLE LOSSES</b>	\$23,826	\$23,143
<b>PROGRAM DEVELOPMENT AND SUPPORT*</b>	\$3,039	\$2,647
<b>INVESTMENT INCOME RECEIVED</b>	\$1,274	\$994

\*Includes the cost of providing technical assistance to develop new PRIs and evaluate ongoing investments.

**FEDERAL REQUIREMENTS**

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 expenses incurred in the production of income. For fiscal year 2007, the tax is estimated to be \$27 million, excluding the deferred portion of excise taxes resulting from unrealized appreciation/depreciation on investments. Since fiscal year 1971 the foundation has incurred federal excise taxes of \$304 million.

The Internal Revenue Code also requires private foundations annually to disburse approximately 5 percent of the market value of investment assets, less the federal excise tax. The payout requirement may be satisfied by payments for grants, program-related investments, direct conduct of charitable activities and certain administrative expenses. The foundation had qualifying distributions of \$708 million in fiscal year 2007, exceeding the federally mandated payout requirement by \$72 million. During the past five years, the foundation has made \$3.1 billion in qualifying distributions, exceeding the federally mandated payout requirement by \$386 million.

# REPORT OF INDEPENDENT AUDITORS

## TO THE BOARD OF TRUSTEES OF THE FORD FOUNDATION:

In our opinion, the accompanying statements of financial position and the related statements of activities and cash flows present fairly, in all material respects, the financial position of the Ford Foundation at September 30, 2007 and 2006, 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. These financial statements are the responsibility of the Ford Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



PricewaterhouseCoopers LLP  
New York, New York  
December 4, 2007

PRICEWATERHOUSECOOPERS 

# STATEMENTS OF FINANCIAL POSITION

As of September 30

## ASSETS

	2007 <i>in thousands</i>	2006 <i>in thousands</i>
<b>INVESTMENTS, AT FAIR VALUE</b>	\$ 13,293,577	\$ 11,889,880
<b>ACCRUED INTEREST AND DIVIDENDS RECEIVABLE</b>	35,200	32,712
<b>PENDING SECURITIES, NET</b>	165,296	132,791
	13,494,073	12,055,383
<b>CASH</b>	1,047	537
<b>FEDERAL EXCISE TAX RECEIVABLE</b>	2,605	2,300
<b>OTHER RECEIVABLES AND ASSETS</b>	14,813	9,902
<b>PROGRAM-RELATED INVESTMENTS, NET OF ALLOWANCES FOR POSSIBLE LOSSES OF \$23,826 (\$23,143 AT SEPTEMBER 30, 2006)</b>	118,485	109,019
<b>FIXED ASSETS, NET OF ACCUMULATED DEPRECIATION OF \$87,531 (\$82,924 AT SEPTEMBER 30, 2006)</b>	28,708	30,359
<b>TOTAL ASSETS</b>	<b>\$ 13,659,731</b>	<b>\$ 12,207,500</b>
<b>LIABILITIES AND UNRESTRICTED NET ASSETS</b>		
<b>UNPAID GRANTS</b>	\$ 247,845	\$ 211,453
<b>PAYABLES AND OTHER LIABILITIES</b>	82,308	74,306
<b>DEFERRED FEDERAL EXCISE TAX LIABILITY</b>	53,663	38,470
<b>TOTAL LIABILITIES</b>	383,816	324,229
<b>CONTINGENCIES, COMMITMENTS AND GUARANTEES</b>		
<b>UNRESTRICTED NET ASSETS</b>		
<b>APPROPRIATED</b>	43,421	71,837
<b>UNAPPROPRIATED</b>	13,232,494	11,811,434
<b>TOTAL UNRESTRICTED NET ASSETS</b>	13,275,915	11,883,271
<b>TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS</b>	<b>\$ 13,659,731</b>	<b>\$ 12,207,500</b>

See notes to financial statements

# STATEMENTS OF ACTIVITIES

For the year ended September 30

	<b>2007</b> <i>in thousands</i>	<b>2006</b> <i>in thousands</i>
<b>INCOME</b>		
DIVIDENDS	\$ 195,722	\$ 178,940
INTEREST	167,938	158,210
REALIZED APPRECIATION ON INVESTMENTS, NET	1,074,777	752,051
UNREALIZED APPRECIATION ON INVESTMENTS, NET	759,677	223,131
<b>TOTAL INCOME</b>	<b>2,198,114</b>	<b>1,312,332</b>
<b>EXPENDITURES</b>		
<b>PROGRAM ACTIVITIES:</b>		
GRANTS APPROVED	617,072	529,820
DIRECT CONDUCT OF CHARITABLE ACTIVITIES	9,753	8,432
PROGRAM SUPPORT	55,787	50,356
PROVISION (BENEFIT) FOR POSSIBLE LOSSES ON PROGRAM-RELATED INVESTMENTS	2,048	(1,137)
	684,660	587,471
GENERAL MANAGEMENT	30,085	30,000
EXPENSES INCURRED IN THE PRODUCTION OF INCOME	39,391	36,315
PROVISION FOR FEDERAL EXCISE TAX		
CURRENT	26,700	19,000
DEFERRED	15,193	4,463
DEPRECIATION	6,234	6,730
<b>TOTAL EXPENDITURES</b>	<b>802,263</b>	<b>683,979</b>
<b>CHANGE IN UNRESTRICTED NET ASSETS BEFORE</b>		
CHANGE IN ACCOUNTING PRINCIPLE	1,395,851	628,353
ADOPTION OF FAS 158	(3,207)	
ADOPTION OF FIN 47		(4,987)
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>1,392,644</b>	<b>623,366</b>
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	11,883,271	11,259,905
UNRESTRICTED NET ASSETS AT END OF YEAR	<b>\$ 13,275,915</b>	<b>\$ 11,883,271</b>

See notes to financial statements

# STATEMENTS OF CASH FLOWS

For the year ended September 30

	<b>2007</b> <i>in thousands</i>	<b>2006</b> <i>in thousands</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
CHANGE IN UNRESTRICTED NET ASSETS	\$ 1,392,644	\$ 623,366
<b>ADJUSTMENTS TO RECONCILE CHANGE IN UNRESTRICTED NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
UNREALIZED APPRECIATION ON INVESTMENTS	(759,677)	(223,131)
DEPRECIATION	6,234	6,730
ADOPTION OF FAS 158	3,207	
ADOPTION OF FIN 47		4,987
PROVISION (BENEFIT) FOR POSSIBLE LOSSES ON PROGRAM-RELATED INVESTMENTS	2,048	(1,137)
DEFERRED PROVISION FOR FEDERAL EXCISE TAXES	15,193	4,463
INCREASE IN CURRENT FEDERAL EXCISE TAX RECEIVABLE	(305)	(1,800)
INCREASE IN OTHER RECEIVABLES AND ASSETS	(4,662)	(767)
LOANS DISBURSED FOR PROGRAM-RELATED INVESTMENTS	(26,185)	(18,748)
REPAYMENTS OF PROGRAM-RELATED INVESTMENTS	14,671	14,431
GRANT APPROVALS	617,072	529,820
GRANT PAYMENTS	(580,680)	(529,625)
INCREASE IN PAYABLES AND OTHER LIABILITIES	4,546	4,276
<b>NET CASH PROVIDED BY OPERATIONS</b>	<b>684,106</b>	<b>412,865</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
PROCEEDS FROM SALE OF INVESTMENTS	5,854,129	5,741,430
PURCHASE OF INVESTMENTS	(6,533,142)	(6,149,391)
PURCHASE OF FIXED ASSETS	(4,583)	(5,585)
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b>(683,596)</b>	<b>(413,546)</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>510</b>	<b>(681)</b>
<b>CASH AT BEGINNING OF YEAR</b>	<b>537</b>	<b>1,218</b>
<b>CASH AT END OF YEAR</b>	<b>\$ 1,047</b>	<b>\$ 537</b>

See notes to financial statements

# NOTES TO FINANCIAL STATEMENTS

September 30, 2007

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ford Foundation (the Foundation) are prepared on the accrual basis which is in conformity with accounting principles generally accepted in the United States of America. The significant accounting policies followed are set forth below:

### INVESTMENTS

Equity and fixed income investments are generally valued based upon the final sales price as quoted on major exchanges. However, certain fixed income securities are valued based upon yields or prices of securities of comparable quality, coupon, maturity and type as well as indications as to values from brokers and dealers. Short-term investments generally represent securities with maturity of 1 year or less and are valued at amortized cost. Limited marketability investments, representing amounts in venture capital and equity partnerships, are valued at the quoted market price for securities for which market quotations are readily available or an estimate of value (fair value) as determined in good faith by the general partner. Significant changes affecting the values of these limited marketability investments that occur between the time net asset values are last communicated by the general partner and the close of the Foundation's fiscal year are reflected in the fair value recorded in the financial statements.

Transactions are recorded on a trade date basis. Realized and unrealized gains or losses on investments are determined by comparison of specific costs of acquisition (identified lot basis) to proceeds at the time of disposal, or market values at the last day of the fiscal year, respectively, and include the effects of currency translation with respect to transactions and holdings of foreign securities. Dividends and interest are recognized when earned.

### CASH

Consists of cash on hand and operating bank deposits.

### PROGRAM-RELATED INVESTMENTS

The Foundation invests in projects that advance philanthropic purposes. These program-related investments are mainly loans outstanding for up to 10 years bearing interest at 1%. These loans are treated as qualifying distributions for tax reporting purposes. Loans are monitored to determine net realizable value based on an evaluation of recoverability that utilizes experience and may reflect periodic adjustments to terms as deemed appropriate.

### FIXED ASSETS

Land, buildings, furniture, equipment and leasehold improvements owned by the Foundation are recorded at cost. Depreciation is charged using the straight-line method based on estimated useful lives of the particular assets generally estimated as follows: buildings, principally 50 years, furniture and equipment 3 to 15 years, and leasehold improvements over the lesser of the term of the lease or the life of the asset.

### EXPENDITURES AND APPROPRIATIONS

Grant expenditures are considered incurred at the time of approval. Uncommitted appropriations that have been approved by the Board of Trustees are included in appropriated unrestricted net assets.

### TAXES

The Foundation qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, accordingly, is not subject to federal income taxes. However, the Foundation is subject to a federal excise tax.

The Foundation follows the policy of providing for federal excise taxes on net appreciation (both realized and unrealized) on investments. The deferred provision for federal excise tax represents taxes provided on net unrealized appreciation (depreciation) on investments.

### RISKS AND UNCERTAINTIES

The Foundation uses estimates in preparing the financial statements which require management to make estimates and assumptions. These affect the reported amounts of assets and

liabilities at the date of the Statement of Financial Position and the reported amounts of income and expenditures during the reporting period. Actual results may differ from these estimates. The most significant estimates and assumptions relate to valuation of limited marketable securities, allowances for possible losses on program-related investments and employee benefit plans.

**ACCOUNTING FOR DERIVATIVE INSTRUMENTS  
AND HEDGING ACTIVITIES**

The Foundation records all derivative instruments in accordance with Financial Accounting Standards (FAS) No. 133 “Accounting for Derivative Instruments and Hedging Activities” at fair value. The fair value adjustment is recorded directly to the invested asset and recognized as an unrealized gain or loss in the Statements of Activities.

**ACCOUNTING FOR CONDITIONAL ASSET  
RETIREMENT OBLIGATION**

The Foundation adopted FAS Interpretation No. 47, “Accounting for Conditional Asset Retirement Obligation” (FIN 47) effective September 30, 2006. FIN 47 provides clarification with respect to the timing of liability recognition for legal obligations to perform asset retirement activity when the timing and/or method of settlement of the obligation are conditional on a future event. Upon adoption of FIN 47, on September 30, 2006, the Foundation recognized a non-cash cumulative effect charge of \$4.987 million associated with the estimated cost of removal and disposal of known asbestos in the Foundation’s headquarters building. Had the Foundation adopted FIN 47 prior to fiscal year 2006, the change in net assets for the fiscal year ending September 30, 2006 would not have changed materially.

**RECLASSIFICATIONS**

Certain amounts from the Foundation’s fiscal year 2006 financial statements have been reclassified to conform to the fiscal year 2007 presentation.

## NOTE 2 INVESTMENTS

Investments held consisted of the following at September 30:

	2007		2006	
	Fair value <i>in thousands</i>	Cost <i>in thousands</i>	Fair value <i>in thousands</i>	Cost <i>in thousands</i>
<b>EQUITIES</b>	\$ 8,781,934	\$ 5,441,958	\$ 7,721,518	\$ 5,015,441
<b>FIXED INCOME</b>	2,635,319	2,638,654	2,737,212	2,745,912
<b>SHORT-TERM INVESTMENTS</b>	293,194	293,147	257,757	254,760
<b>LIMITED MARKETABILITY</b>	1,583,130	2,236,649	1,173,393	1,950,275
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<b>13,293,577</b>	<b>10,610,408</b>	<b>11,889,880</b>	<b>9,966,388</b>
<b>ACCRUED INTEREST AND DIVIDENDS RECEIVABLE</b>	35,200	35,200	32,712	32,712
<b>PENDING SECURITIES, NET</b>	165,296	165,296	132,791	132,791
	<b>\$ 13,494,073</b>	<b>\$ 10,810,904</b>	<b>\$ 12,055,383</b>	<b>\$ 10,131,891</b>

The Foundation purchases and sells forward currency contracts whereby the Foundation agrees to exchange one currency for another on an agreed-upon date at an agreed-upon exchange rate to minimize the exposure of certain of its investments to adverse fluctuations in currency markets. As of September 30, 2007 and 2006, the Foundation had foreign currency contracts with notional amounts totaling \$114.6 million and \$170.7 million, respectively. Such contracts involve, to varying degrees, risks of loss from the possible inability of counterparties to meet the terms of their contracts. Changes in the value of forward currency contracts are recognized as unrealized gains or losses until such contracts are closed.

**NOTE 3****FIXED ASSETS**

At September 30, fixed assets are comprised of:

	<b>2007</b> <i>in thousands</i>	<b>2006</b> <i>in thousands</i>
<b>LAND</b>	\$ 4,686	\$ 4,473
<b>BUILDINGS, NET OF ACCUMULATED DEPRECIATION OF \$26,140 IN 2007 AND \$25,308 IN 2006</b>	10,247	10,433
<b>FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS, NET OF ACCUMULATED DEPRECIATION OF \$61,391 IN 2007 AND \$57,616 IN 2006</b>	13,775	15,453
	<b>\$ 28,708</b>	<b>\$ 30,359</b>

**NOTE 4****PROVISION FOR FEDERAL EXCISE TAX**

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 percent rate in fiscal years 2007 and 2006 consists of a current provision on net investment income and a deferred provision on current net unrealized gains on investments.

The amount of excise taxes paid were \$29.3 million and \$21.3 million in fiscal years 2007 and 2006, respectively.

## NOTE 5 RETIREMENT PLANS

The Foundation's defined benefit pension plans and the defined contribution plans cover substantially all New York appointed employees (staff who are locally appointed by overseas offices are covered by other retirement arrangements). Pension benefits generally depend upon age, length of service and salary level. The Foundation also provides retirees with at least five years of service and who are at least age 55 with nonpension other postretirement benefits which include medical, dental and life insurance. The defined benefit pension plans are annually funded in accordance with the minimum funding requirements of the Employee Retirement Income Security Act. The non-pension other postretirement benefits are not funded by the Foundation.

In 2007, the Foundation adopted FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans," which requires unrecognized amounts (e.g. net actuarial gains or losses and prior service cost or credits) to be recognized as changes to unrestricted net assets and that those amounts be adjusted as they are subsequently recognized as components of net periodic pension cost. FAS 158 resulted in the recognition of a \$3.2 million loss reported on the Statement of Activities as a change in accounting principle. The loss reflected amounts not previously recognized in periodic benefit costs as follows (in thousands):

<b>PRIOR SERVICE CREDIT</b>	\$ (511)
<b>NET ACTUARIAL LOSS</b>	3,718
	<b>\$ 3,207</b>

The incremental effect of applying the provisions of FAS 158 on individual line items on the Statement of Financial Position was:

	<b>BEFORE APPLICATION OF FAS 158</b>	<b>INCREMENTAL EFFECT OF FAS 158</b>	<b>AFTER APPLICATION OF FAS 158</b>
<b>OTHER RECEIVABLES AND ASSETS</b>	\$ 14,564	\$ 249	\$ 14,813
<b>PAYABLES AND OTHER LIABILITIES</b>	\$ (78,852)	\$ (3,456)	\$ (82,308)
<b>UNRESTRICTED NET ASSETS</b>		\$ 3,207	

	<b>PENSION PLAN BENEFITS</b>	<b>OTHER POST- RETIREMENT BENEFITS</b>
<b>AMOUNTS IN UNRESTRICTED NET ASSETS EXPECTED TO BE RECOGNIZED IN NET PERIODIC PENSION COST IN FISCAL 2008</b>		
<b>ACTUARIAL (GAIN)/LOSS</b>	\$ 61	\$ -
<b>PRIOR SERVICE (CREDIT)/COST</b>	(126)	-
	<b>\$ (65)</b>	<b>\$ -</b>

	<b>PENSION BENEFITS</b> <i>in thousands at September 30</i>		<b>OTHER POSTRETIREMENT BENEFITS</b> <i>in thousands at September 30</i>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>BENEFIT OBLIGATION</b>	\$ 22,725	\$ 22,058	\$ 47,623	\$ 47,679
<b>FAIR VALUE OF PLAN ASSETS</b>	29,971	24,381	-	-
<b>FUNDED STATUS</b>	\$ 7,246	\$ 2,323	\$ (47,623)	\$ (47,679)
<b>ACCUMULATED BENEFIT OBLIGATION</b>	\$ 22,348	\$ 21,625	N/A	N/A
<b>PREPAID (ACCRUED) BENEFIT COST RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION</b>	\$ 7,246	\$ 3,260	\$ (47,623)	\$ (41,734)
<b>WEIGHTED AVERAGE ASSUMPTIONS (USED TO DETERMINE BENEFIT OBLIGATIONS AND NET PERIODIC COSTS):</b>				
<b>DISCOUNT RATE (BENEFIT OBLIGATION)</b>	6.30%	6.00%	6.30%	6.00%
<b>DISCOUNT RATE (NET PERIODIC COSTS)</b>	6.00%	5.75%	6.00%	5.75%
<b>EXPECTED RETURN ON PLAN ASSETS</b>	7.00%	7.00%	N/A	N/A
<b>RATE OF COMPENSATION INCREASE</b>	4.00%	4.00%	N/A	N/A

For measurement purposes, a healthcare cost trend rate of 6% and 7% was used to measure the other postretirement benefit obligation at September 30, 2007 and 2006, respectively. The healthcare cost trend rate is assumed to be 5% in fiscal year 2008 and thereafter. A 1% point change in assumed healthcare cost trend rates would have the following effects:

	1% INCREASE	1% DECREASE
<b>EFFECT ON TOTAL OF SERVICE AND INTEREST COST COMPONENTS</b>	\$ 500,000	\$ 854,000
<b>EFFECT ON OTHER POSTRETIREMENT BENEFIT OBLIGATION</b>	3,824,000	3,166,000

	<b>PENSION BENEFITS</b> <i>in thousands at September 30</i>		<b>OTHER POSTRETIREMENT BENEFITS</b> <i>in thousands at September 30</i>	
	2007	2006	2007	2006
<b>NET PERIODIC BENEFIT COST RECOGNIZED</b>	\$ 264	\$ 287	\$ 4,622	\$ 4,784
<b>EMPLOYER CONTRIBUTION</b>	4,000	302	-	-
<b>BENEFITS PAID</b>	1,402	1,910	2,189	2,066

The expense recorded by the Foundation related to contributions to the defined contribution plan aggregated \$5,565,000 and \$5,135,000 for the years ended September 30, 2007 and 2006, respectively.

The combined weighted-average asset allocation for the Foundation's defined benefit pension plans at September 30 is as follows:

	<b>PENSION BENEFITS</b>	
	<b>2007</b>	<b>2006</b>
<b>TIAA-CREF GROUP ANNUITY CONTRACT</b>	29.8%	43.9%
<b>CREF STOCK VARIABLE ANNUITY</b>	50.6	41.8
<b>CREF INFLATION-LINKED BOND VARIABLE ANNUITY</b>	8.7	6.2
<b>CREF MONEY MARKET</b>	3.4	-
<b>TIAA REAL ESTATE VARIABLE ANNUITY</b>	7.5	8.1
	100.0%	100.0%

The investment strategy is to manage investment risk through prudent asset allocation that will produce a rate of return commensurate with the plans' obligations. The Foundation expects to continue the investment target allocations as noted above in fiscal year 2008. The Foundation's overall expected long-term rate of return on plan assets is based upon historical long-term returns of the investment performance adjusted to reflect expectations of future long-term returns by asset class. The Foundation does not expect to have a contribution requirement to the pension plans in fiscal year 2008.

Estimated future benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

	<b>PENSION BENEFITS</b>	<b>OTHER POST- RETIREMENT BENEFITS</b>
	<i>in thousands at September 30</i>	
<b>2008</b>	\$ 1,762	\$ 2,341
<b>2009</b>	1,690	2,359
<b>2010</b>	1,571	2,514
<b>2011</b>	1,606	2,687
<b>2012</b>	1,647	2,824
<b>2013 - 2017</b>	8,550	15,837

---

**NOTE 6**  
**CONTINGENCIES, COMMITMENTS**  
**AND GUARANTEES**

The Foundation is involved in several legal actions. The Foundation believes it has defenses for all such claims, believes the claims are substantially without merit, and is vigorously defending the actions. In the opinion of management, the final disposition of these matters will not have a material effect on the Foundation's financial position.

As part of its program-related investment activities, the Foundation is committed to provide \$23.7 million of loans to not-for-profit organizations once certain conditions are met. Further, as part of its investment management activity, the Foundation is committed to additional funding of \$1.2 billion in private equity and other investment commitments.