The Kresge Foundation

(A Michigan Trustee Corporation)

Financial Statements as of and for the
Years Ended December 31, 2007 and 2006, and
Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Kresge Foundation
Troy, Michigan

We have audited the accompanying statements of financial position of the Kresge Foundation (the "Foundation") as of December 31, 2007 and 2006, and the related statements of income, expenditures, and changes in unrestricted net assets and of 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, such financial statements present fairly, in all material respects, the financial position of the Foundation as of December 31, 2007 and 2006, and the changes in its unrestricted net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, the financial statements include investments in real estate, private equities, hedge funds, oil and gas, and other types of limited partnerships whose fair values have been estimated in the absence of readily determinable fair values. Such investments were valued at $2,038,509,075 (52% of total assets) and $1,760,576,796 (52% of total assets) as of December 31, 2007 and 2006, respectively. Management's estimates are based on information provided by the external investment and fund managers or the general partners. Management also obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. However, the recorded value could differ from the value that would have been used had a readily available market existed for such investments.

Deloitte & Touche LLP

July 17, 2008

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
CASH	$ 409,162	$ 212,924
INVESTMENTS — At fair market value	3,824,446,347	3,308,753,242
COLLATERAL UNDER SECURITIES LENDING AGREEMENT	73,069,031	78,934,706
ACCRUED INTEREST AND DIVIDENDS	680,921	2,789,927
PROPERTY AND EQUIPMENT — Net	13,657,347	14,058,811
OTHER	1,947,952	4,041,212
TOTAL	$3,914,210,760	$3,408,790,822
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Grants payable	$ 161,736,429	$ 173,394,237
Accounts payable and other liabilities	11,396,607	7,767,272
Borrowings under revolving line of credit	27,000,000	
Payable under securities lending agreement	73,069,031	78,934,706
Deferred federal excise taxes	13,836,739	10,272,781
Total liabilities	287,038,806	270,368,996
UNRESTRICTED NET ASSETS	3,627,171,954	3,138,421,826
TOTAL	$3,914,210,760	$3,408,790,822

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF INCOME, EXPENDITURES, AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
INVESTMENT INCOME:		
Interest income	$ 10,112,216	$ 17,941,899
Dividend income	15,566,707	13,209,444
Investment management fees	(6,311,782)	(5,656,812)
Federal excise tax expense and other	(11,558,118)	(4,435,617)
Net investment income	7,809,023	21,058,914
GRANTS APPROVED — Net of discount	183,006,183	138,376,051
ADMINISTRATIVE EXPENSES	14,306,148	10,498,679
GRANTS AND EXPENSES IN EXCESS OF INCOME	(189,503,308)	(127,815,816)
NET REALIZED GAINS ON INVESTMENTS	144,647,429	252,539,718
CHANGE IN NET UNREALIZED MARKET APPRECIATION/DEPRECIATION OF INVESTMENTS	44,371,199	3,516,096
CHANGE IN ALTERNATIVE INVESTMENTS	490,621,438	152,541,840
CHANGE IN UNRESTRICTED NET ASSETS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	490,136,758	280,781,838
ADJUSTMENT TO INITIALLY APPLY FASB STATEMENT NO. 158	1,386,630	
Net change in unrestricted net assets	488,750,128	280,781,838
UNRESTRICTED NET ASSETS:		
Beginning of year	3,138,421,826	2,857,639,988
End of year	$3,627,171,954	$3,138,421,826

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in unrestricted net assets	$ 488,750,128	$ 280,781,838
Adjustments to reconcile net change in unrestricted net assets to net cash used in operating activities:		
Depreciation	715,326	687,048
Net realized gains on investments	(144,647,429)	(252,539,718)
Change in net unrealized market appreciation/depreciation of investments	(44,371,199)	(3,516,096)
Change in alternative investments	(490,621,438)	(152,541,840)
Decrease in accrued interest and dividends	2,109,006	1,807,613
Decrease (increase) in other assets	2,093,260	(3,818,594)
(Decrease) increase in approved grants pending payment	(11,657,808)	20,512,248
Effect of adoption of recognition provisions of FAS 158	1,386,630	
Increase (decrease) in accounts payable and other liabilities	2,242,705	(1,284,842)
Increase (decrease) in deferred federal excise taxes	3,563,958	(2,575,625)
Net cash used in operating activities	(190,436,861)	(112,487,968)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	1,837,073,697	2,134,724,965
Purchase of investments	(1,673,124,278)	(2,020,120,088)
Purchase of property and equipment	(316,320)	(2,021,952)
Net cash provided by investing activities	163,633,099	112,582,925
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	92,164,798	7,925,000
Repayment of line of credit	(65,164,798)	(7,925,000)
Net cash provided by financing activities	27,000,000	-
NET INCREASE IN CASH	196,238	94,957
CASH:		
Beginning of year	212,924	117,967
End of year	$ 409,162	$ 212,924

See notes to financial statements.

1. ORGANIZATION

The Kresge Foundation (the "Foundation") is a tax-exempt private foundation that seeks to influence the quality of life for future generations through its support of nonprofit organizations working in six fields: health, the environment, arts and culture, education, human services and community development. The Foundation was established in June 1924 as a Michigan Trustee Corporation. Its office is in Troy, Michigan.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Financial Presentation — The accompanying financial statements are prepared on the accrual basis and in conformity with accounting principles generally accepted in the United States of America (GAAP).

Property and Equipment — Property and equipment represents primarily land and buildings. The property and equipment is depreciated on the straight-line basis over the estimated useful lives of the assets, which range from 3 to 45 years. The associated accumulated depreciation was $1,819,000 and $1,401,000 at December 31, 2007 and 2006, respectively.

Grant Expenditures — The Foundation generally requires organizations to meet their fund raising goals before payment is made. It has been the Foundation's experience that substantially all grantees meet the challenge requirement. Accordingly, grants are considered unconditional and recorded as expense in the year approved.

Tax Status — The Foundation is an organization exempt from federal income taxation under Section 501(c)(3) and is a private foundation as described in Section 509(a) of the Internal Revenue Code. The Foundation is subject to federal excise taxes. It is also subject to federal and state income tax on its unrelated business taxable income.

Adoption of Accounting Pronouncements — In July 2006, the Financial Accounting Standards Board (FASB) issued Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48). This interpretation clarified the accounting for uncertainty in income taxes recognized in financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The FASB has deferred the effective date of FIN 48 for most nonpublic entities who have not previously published financial statements containing amounts for FIN 48 until years beginning after December 15, 2007. The Foundation is currently evaluating the impact of the adoption of FIN 48 on its financial statements.

In September 2006, the FASB issued FASB Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (FAS 158). FAS 158 requires plan sponsors of defined benefit pension and other postretirement benefit plans (postretirement plans) to recognize the funded status of the postretirement plans in the statements of financial position, measure the fair value of plan assets and benefit obligations as of the fiscal year end, and provide additional disclosures. On December 31, 2007, the Foundation adopted the recognition and disclosure provisions of FAS 158. The effect of adopting FAS 158 on the Foundation's financial position at December 31, 2007 has been included in the accompanying financial statements. See Note 6 for further discussion of the effect of adopting FAS 158 on the Foundation's financial statements. During 2006, the Foundation's pension asset was reported in the statement of financial position under the asset category as "other" while the liability for other postretirement benefits was under the liability category as "accounts payable and other liabilities." As discussed in Note 6, the Foundation's fully-funded pension plan was terminated in 2007 resulting in the reduction of all plan related assets and liabilities to zero. The liability for other postretirement benefits at December 31, 2007 is reported as "accounts payable and other liabilities."

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements*, (FAS 157) which defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America (GAAP), and expands disclosures about fair value measurements. FAS 157 applies where other accounting pronouncements require or permit fair value measurements; it does not require any new fair value measurements under GAAP. FAS 157 is effective for fiscal years beginning after November 15, 2007. The effects of adoption will be determined by the types of instruments carried at fair value in the Foundation's financial statements at the time of adoption as well as the method utilized to determine their fair values prior to adoption. The Foundation is assessing the impact the application of FAS 157 will have on its financial statements.

In February 2007, the FASB issued FASB Statement No. 159, *The Fair Value Option For Financial Assets and Financial Liabilities — Including an amendment of FASB Statement No. 115*, (FAS 159) which provides reporting entities an option to report selected financial assets, including investment securities designated as available for sale, and liabilities, including most insurance contracts, at fair value. FAS 159 establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The statement also requires additional information to aid financial statement users' understanding of a reporting entity's choice to use fair value on its earnings and also requires entities to display on the face of the balance sheet the fair value of those assets and liabilities for which the reporting entity has chosen to measure at fair value. FAS 159 is effective as of the beginning of a reporting entity's first fiscal year beginning after November 15, 2007. The Foundation is assessing the impact the application of FAS 159 will have on its financial statements.

In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities — an amendment of FASB Statement No. 133*, (FAS 161) which requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. FAS 161 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. This disclosure better conveys the purpose of derivative use in terms of the risks that the entity is intending to manage. FAS 161 is effective as of the beginning of a reporting entity's first fiscal year beginning after November 15, 2008. The Foundation is assessing the impact the application of FAS 161 will have on its financial statements.

In December 2007, the FASB issued FASB Statement No. 141(R), *Business Combinations*, (FAS 141(R)) which strives to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial reports about a business combination and its effects. FAS 141(R) retains the fundamental requirements in Statement 141 that the acquisition method of accounting (which Statement 141 called the purchase method) be used for all business combinations and for an acquirer to be identified for each business combination. It also defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. FAS 141(R) is effective as of the beginning of a reporting entity's first fiscal year beginning after December 15, 2008. The Foundation is assessing the impact the application of FAS 141(R) will have on its financial statements.

Line of Credit — The Foundation has an unsecured $100,000,000 line of credit. Interest on amounts borrowed under the credit agreement is payable, at the Foundation's election, at 2% below the lender's Prime Rate or at LIBOR plus 20 basis points, which were 5.25% and 5.06%, respectively, at December 31, 2007 and 2006. At December 31, 2007 and 2006, the outstanding borrowings were $27,000,000 and $0.

Use of Estimates — The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Investment Risks — Investment securities are exposed to various risks, such as interest rate, market, and credit. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in values in the near term could materially affect the amounts reported in the accompanying financial statements.

Fair Value of Financial Instruments — In the normal course of business, the Foundation invests in various financial assets, incurs various financial liabilities, and enters into agreements involving derivative securities.

The carrying amounts reported in the statements of financial position for cash, accrued interest and dividends, other accounts payable and other liabilities, borrowings under revolving line of credit, and deferred federal excise taxes approximate fair value because of their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

- *Non-Alternative Investments, at Fair Value* — The carrying amount is stated at fair value, based on quoted market prices, where available. For securities not actively traded, fair values were estimated using values obtained from independent pricing services or quoted market prices of comparable instruments (see Note 3).

- *Derivative Investments* **—** The fair value of the derivative investments (primarily credit default swaps and total return swaps) are based on quoted market prices from the financial institution that is the counterparty to the derivative combined with management's independent revaluation (see Note 3).

- *Grants Payable* — The carrying amount represents the estimated fair value based on the present value of discounted cash flows (see Note 4).

3. INVESTMENTS

Temporary Investments — The Foundation considers investments with an original maturity of three months or less to be cash equivalents and such cash equivalents are included in the temporary investments balance.

Marketable Investments and Commingled Funds — Marketable securities are valued on the basis of quoted market prices at year end. Included in U.S. equity securities and foreign equity securities is $1,233,297,000 and $843,916,000, as of December 31, 2007 and 2006 respectively, invested in commingled or hedge funds which primarily have underlying investments with readily determinable fair market values. Commingled funds that hold securities directly are stated at fair value of the underlying securities, as determined by the administrator, based on readily determinable market values.

Investment income and expenses are reported on the accrual basis and investment transactions are reported on a trade-date basis. Included in the investment balance at December 31, 2007, the Foundation had unsettled trade purchases and sales of $685,000 and $104,901,000, respectively. Included in the investment balance at December 31, 2006, the Foundation had unsettled trade purchases and sales of $1,102,000 and $22,976,000, respectively. Net realized gains (losses) and change in net unrealized market appreciation (depreciation) are determined by comparing cost to proceeds and fair market value, respectively. Cost is determined on a first-in first-out basis.

Alternative Investments — Alternative investments are comprised of real estate, private equities, hedge funds, oil and gas, and other types of limited partnerships which are accounted for on the equity method. Management's estimates of the fair values of alternative investments are based on information provided by the external investment and fund managers or the general partners. Management also obtains and considers the audited financial statements of these investments when evaluating the overall reasonableness of the recorded value. Alternative investments, which do not have readily determinable market values as of December 31, are valued based on available partner capital account balances as reported by the partnerships to the Foundation as of September 30, adjusted for capital contributions and distributions during the period from October through December 31. Accounts that are not separately managed, including hedge and commingled funds, are stated at fair value as determined by the administrators of each underlying fund, in consultation with fund investment managers. Generally, redemptions may be made with written notice ranging from one month to one year. Underlying investments in these funds may include equities, fixed income securities, commodities, currencies, and derivatives. Audited information is only available annually, based on the partnerships' or funds' year-end. Because of the inherent uncertainty of valuations, values may differ from the values that would have been used had a ready market existed.

Change in alternative investments includes equity earnings from limited partnerships and the change in fair value of derivative and hedge funds.

The hedge funds utilize leverage and invest in derivatives including futures, options, and foreign currency forward contracts. The hedge funds also engage in the short selling of securities and derivatives. The real estate partnerships may utilize leverage. At December 31, 2007 and 2006, the Foundation held forward exchange contracts related to its South Africa initiative with a notional amount of $4,982,000 and $6,683,000, respectively.

Derivative Financial Instruments — The Foundation accounts for derivative financial instruments in accordance with FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (FAS 133). FAS 133 requires that an entity recognize all derivatives, as defined, as either assets or liabilities measured at fair value. The Foundation uses derivative instruments to manage its exposure to market risks, specifically to gain protection against major market corrections. The Foundation does not hold derivative instruments for speculative purposes. For accounting purposes, the derivatives do not have hedge designation.

The Foundation's management believes the use of such instruments in its investment program is appropriate in providing for the long- and short-term financial needs of the Foundation. Though the use of these instruments reduces certain investment risks and generally adds value to the portfolio, the instruments themselves do involve some investment and counterparty risk not fully reflected in the Foundation's financial statements. Management does not anticipate any material losses from such instruments.

During 2007, the Foundation has entered into credit default swap agreements. The Foundation has agreed to pay to counterparties an annual premium to protect against credit events occurring on various entities or until the underlying agreements mature or are terminated. The notional and fair values of credit default swaps as of December 31, 2007 were $3,906,575,000 and $56,529,000, respectively. The Foundation has purchased offsetting long and short positions utilizing total return swaps to adjust exposure to domestic and international equity markets. The notional and fair value of total return swaps were $497,256,000 and $4,977,000, respectively, at December 31, 2007. The Foundation has purchased offsetting long and short currency positions with notional and fair values of $300,000,000 and $6,486,000, respectively, at December 31, 2007. Such positions are included in alternative investments - hedge funds in the table below. There were no outstanding credit default or total return swap positions at December 31, 2006.

The Foundation's investments at December 31, 2007 and 2006, consist of the following:

	2007		2006	
	Fair Value	**Cost**	**Fair Value**	**Cost**
Marketable investments and commingled funds:				
Temporary investments	$ 201,112,635	$ 201,085,674	$ 180,889,271	$ 180,935,157
Fixed income securities	120,313,652	134,106,542	232,867,743	233,234,431
U.S. equity securities	388,579,342	386,998,053	434,252,555	387,861,158
Foreign equity securities	1,075,931,643	787,549,279	700,166,877	514,319,175
Total marketable securities	1,785,937,272	1,509,739,548	1,548,176,446	1,316,349,921
Alternative investments:				
Hedge funds	931,190,108	748,751,602	816,496,660	680,945,711
Oil and gas	240,242,567	130,387,043	244,404,463	132,422,913
Private equity	580,716,795	498,967,789	457,180,530	448,162,696
Real estate	286,359,605	244,763,371	242,495,143	220,022,840
Total alternative investments	2,038,509,075	1,622,869,805	1,760,576,796	1,481,554,160
Total investments	$ 3,824,446,347	$ 3,132,609,353	$ 3,308,753,242	$ 2,797,904,081

The Foundation participates in a securities lending program with its custodian bank. Under the terms of its securities lending agreement, the Foundation requires collateral of a value at least equal to 102% of the fair value of loaned investments. All cash collateral received is invested in approved money market and short term funds. The Foundation maintains effective control of the loaned investments during the term of the agreement. At December 31, 2007 and 2006, the Foundation had loaned securities with a total market value of $71,726,000 and $75,672,000 and received related cash collateral $73,069,000 and $78,935,000, respectively.

The changes in security lending collateral of $5,865,675 and $23,459,038 as of December 31, 2007 and 2006, respectively, are considered non-cash transactions. The 2006 statement of cash flows was revised to present the changes in securities lending collateral as non-cash items.

At December 31, 2007 and 2006, the Foundation had commitments to contribute approximately $719,970,000 and $494,100,000, respectively, in additional capital under the terms of various agreements covering alternative partnership investments over the next 10 years.

4. GRANTS PAYABLE

Grants payable at December 31, 2007 and 2006, represent the present value of grants using a 5.0% and 6.0%, respectively, discount rate. The Foundation made grant payments of approximately $194,694,000 and $117,864,000 in 2007 and 2006, respectively.

As of December 31, 2007, the Foundation had future grant commitments, which are scheduled for payment in future years as follows:

2008	$ 99,310,137
2009	65,046,206
2010	9,225,000
2011	200,000
	173,781,343
Discount	(12,044,914)
Net	$161,736,429

5. EXCISE TAX REQUIREMENTS

The Foundation is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (the “Code”), but is subject to a 2% (1% if certain criteria are met) federal excise tax on net investment income, including realized gains, as defined in the Code. The current excise tax is provided at 1% for 2007 and 2006. The deferred excise tax provision is calculated assuming a 2% rate and is based on projected gains that assume complete liquidation of all assets. The current and deferred portions of the excise tax provision for 2007 were approximately $4,543,000 and $3,564,000, respectively. The unrelated business income tax expense for 2007 was $3,077,000 net of $103,000 refund from prior years. State income tax expense for 2007 was $376,000. The current and deferred portions of the excise tax provision for 2006 were approximately $5,433,000 and ($2,576,000), respectively. The unrelated business income tax expense for 2006 was $590,000 net of $587,000 refund from prior years. State income tax expense for 2006 was $989,000. Cash payments for federal excise taxes were $6,000,000 and $5,350,000, for the years ended December 31, 2007 and 2006, respectively.

6. RETIREE PENSION PLAN AND POSTRETIREMENT EMPLOYEE BENEFITS

The Foundation sponsored a noncontributory qualified defined-benefit pension plan covering substantially all current and former full-time employees along with an unfunded nonqualified plan for restoration of pension benefits lost due to statutory limitations imposed upon qualified plans. On December 22, 2007, the Foundation terminated the pension plan, settled the accumulated benefit obligation (nonvested benefits became vested on termination of the plan) by providing participants with lump sum or annuity contract settlement options, and contributed the remaining shortage to fully fund the plan. The plan ceased to exist as an entity. As a result, the Foundation's projected benefit obligation reflects the following for the year ended December 31, 2007:

	Pension Plan
Projected benefit obligation — December 31, 2006	$ 9,428,290
Service costs	739,902
Interest costs	560,753
Actuarial loss	2,330,159
Benefits paid	(214,264)
Curtailments	(2,015,306)
Settlements	(11,229,534)
Termination benefits	400,000
Projected benefit obligation — December 31, 2007	$ -

Adoption of FASB Statement No. 158 — On December 31, 2007, the Foundation adopted the recognition and disclosure provisions of FASB Statement No. 158. FASB Statement No. 158 requires recognition of the over funded or under funded status of defined benefit pension and other postretirement benefit plans as an asset or liability in the consolidated balance sheet and recognition of changes in that funded status in the year in which the changes occur, generally through changes in unrestricted net assets. The funded status of the plan is measured as the difference between the fair value of plan assets and the benefit obligation. For a pension plan, the benefit obligation is the projected benefit obligation; for any other postretirement benefit plan, such as a retiree health care plan, the benefit obligation is the accumulated postretirement benefit obligation. The incremental effects of adopting the provisions of FASB Statement No. 158 in the System's consolidated balance sheet at December 31, 2007, are presented in the following table:

	At December 31, 2007		
	Prior to Adopting FAS 158	Effect of Adopting FAS 158	As Reported at December 31, 2007
Postretirement plan:			
Accounts payable and other liabilities	$ 10,009,977	$ 1,386,630	$ 11,396,607
Unrestricted net assets	3,625,785,324	1,386,630	3,627,171,954

The Foundation provides certain health care and life insurance benefits for retired employees. The Foundation's employees may become eligible for these postretirement employee benefits.

The pension and other postretirement benefits plans' funded status and amounts recognized in the Foundation's statements of financial position and statements of income, expenditures, and changes in unrestricted net assets as of and for the years ended December 31, 2007 and 2006, are as follows:

	2007	2006	
	Postretirement Employee Benefits	**Pension Plan**	**Postretirement Employee Benefits**
Fair value of plan assets	$ -	$ 10,853,598	$ -
Benefit obligation	(7,073,943)	(9,428,290)	(6,444,238)
Funded status of the plan	$(7,073,943)	$ 1,425,308	$(6,444,238)
Accrued benefit (liability) asset recognized in the statement of financial position (prior to FAS 158)	$(5,687,315)	$ 1,075,619	$(4,535,762)
Service cost	$ 642,566	$ 549,190	$ 308,943
Interest cost	481,689	522,387	321,155
Expected return on plan assets		(617,282)	
Transition obligation amortization		67,563	
Prior service cost amortization		13,578	
Immediate recognition of benefit cost occurring this fiscal year		(119,737)	
Net amortization loss	210,913		109,552
Benefit cost recognized in the statements of income, expenditures, and changes in unrestricted net assets	$ 1,335,168	$ 415,699	$ 739,650
Effect of FAS 158 implementation on unrestricted net assets	$ 1,386,630	$ -	$ -
Employer contributions	$ 183,617	$ 1,500,000	$ 137,363
Benefits paid	$ (183,617)	$ (201,207)	$ (137,363)
Benefit obligation (after FAS 158)	$(7,073,943)	$ (7,737,660)	$(6,444,238)

	2007	2006	
	Postretirement Employee Benefits	Pension Plan	Postretirement Employee Benefits
Assumptions and Dates Used for Disclosure			
Discount rate	6.50 %	6.00 %	6.00 %
Compensation increase rate	4.50	4.50	4.50
Measurement date	12/31/2007	12/31/2006	12/31/2006
Assumptions Used to Determine Expense			
Discount rate	6.00 %	5.75 %	5.75 %
Long-term rate of return on assets	4.50	7.00	N/A
Compensation increase rate		4.50	4.50
Health care cost trend rate assumptions:			
Initial trend rate	11.00 %	N/A	11.00 %
Ultimate trend rate	5.00	N/A	5.00
Year ultimate trend is reached	2013	N/A	2013

A one-percentage change in assumed health care cost trends rates would have the following effects as of December 31, 2007:

	1 Percentage Point Increase	1 Percentage Point Decrease
Effect on post retirement benefit obligation	$ 1,086,237	$ (884,886)

Expected amortization during 2008 for amortization of net prior service credit and amortization of net loss are $(127,526) and $163,351, respectively.

Future Expected Benefit Payments	
2008	$ 254,778
2009	268,025
2010	279,219
2011	314,323
2012	324,615
2013–2017	2,422,597

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