The Kresge Foundation

(A Michigan Trustee Corporation)

Financial Statements as of and for the
Years Ended December 31, 2008 and 2007,
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, 2008 and 2007, 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, 2008 and 2007, 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.

Deloitte & Touche LLP

July 9, 2009

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF FINANCIAL POSITION
AS OF DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
CASH	$ 210,605	$ 409,162
INVESTMENTS — At fair market value	2,805,016,539	3,824,446,347
PROGRAM-RELATED INVESTMENTS — Net	5,923,000	-
COLLATERAL UNDER SECURITIES LENDING AGREEMENT	26,039,652	73,069,031
ACCRUED INTEREST AND DIVIDENDS	467,939	680,921
PROPERTY AND EQUIPMENT — Net	13,312,166	13,657,347
DEFERRED FEDERAL EXCISE TAXES	7,298,020	-
OTHER	7,056,671	1,947,952
TOTAL	$2,865,324,592	$3,914,210,760
LIABILITIES AND UNRESTRICTED NET ASSETS		
LIABILITIES:		
Grants payable	$ 222,105,158	$ 161,736,429
Accounts payable and other liabilities	9,592,127	11,396,607
Borrowings under revolving line of credit	-	27,000,000
Payable under securities lending agreement	26,039,652	73,069,031
Deferred federal excise taxes	-	13,836,739
Total liabilities	257,736,937	287,038,806
UNRESTRICTED NET ASSETS	2,607,587,655	3,627,171,954
TOTAL	$2,865,324,592	$3,914,210,760

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, 2008 AND 2007

	2008	2007
INVESTMENT INCOME:		
Interest, dividends, and other income	$ 13,431,374	$ 25,678,923
Net realized and unrealized (loss) gain on investments	(812,357,650)	679,640,066
Investment management fees	(5,208,689)	(6,311,782)
Federal excise tax benefit (expense) and other	17,311,291	(11,558,118)
Net investment (loss) income	(786,823,674)	687,449,089
GRANTS APPROVED — Net of discount	219,853,916	183,006,183
ADMINISTRATIVE EXPENSES	15,118,715	14,306,148
Total expenses	234,972,631	197,312,331
OTHER POSTRETIREMENT ADJUSTMENTS	2,212,006	-
CHANGE IN UNRESTRICTED NET ASSETS BEFORE CHANGE IN ACCOUNTING PRINCIPLE	(1,019,584,299)	490,136,758
ADJUSTMENT TO INITIALLY APPLY FASB STATEMENT NO. 158	-	1,386,630
NET CHANGE IN UNRESTRICTED NET ASSETS	(1,019,584,299)	488,750,128
UNRESTRICTED NET ASSETS:		
Beginning of year	3,627,171,954	3,138,421,826
End of year	$2,607,587,655	$3,627,171,954

See notes to financial statements.

THE KRESGE FOUNDATION
(A Michigan Trustee Corporation)

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net change in unrestricted net assets	$(1,019,584,299)	$ 488,750,128
Adjustments to reconcile net change in unrestricted net assets to net cash used in operating activities:		
Depreciation	751,556	715,326
Program-related investments provision	417,000	-
Change in value of grants payable	5,974,187	1,954,924
Net realized and unrealized loss (gain) on investments	812,357,650	(679,640,066)
Decrease in accrued interest and dividends	212,982	2,109,006
(Increase) decrease in other assets	(5,108,719)	2,093,260
Increase (decrease) in approved grants pending payment	54,394,542	(13,612,732)
Effect of adoption of recognition provisions of FAS 158	-	1,386,630
(Decrease) increase in accounts payable and other liabilities	(1,804,480)	2,242,705
(Decrease) increase in deferred federal excise taxes	(21,134,759)	3,563,958
Net cash used in operating activities	(173,524,340)	(190,436,861)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sales of investments	1,906,728,915	1,837,073,697
Purchase of investments	(1,699,656,757)	(1,673,124,278)
Loans disbursed for program-related investments	(6,340,000)	-
Purchase of property and equipment	(406,375)	(316,320)
Net cash provided by investing activities	200,325,783	163,633,099
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from line of credit	38,572,264	92,164,798
Repayment of line of credit	(65,572,264)	(65,164,798)
Net cash (used in) provided by financing activities	(27,000,000)	27,000,000
NET (DECREASE) INCREASE IN CASH	(198,557)	196,238
CASH:		
Beginning of year	409,162	212,924
End of year	$ 210,605	$ 409,162

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).

Program-Related Investments (PRIs) — In accordance with Section 4944 of the Internal Revenue Code (the "Code"), the Foundation is permitted to make investments that further some aspect of its charitable mission. In 2008, the Foundation began making PRIs. These investments are anticipated to have lower than market returns on a risk-adjusted basis. Like grants, these investments count towards the Foundation's payout requirement in the year of distribution. Return of PRI principal increases the annual payout requirement equivalent to a grant refund. There were no returns of principal for the year ended December 31, 2008.

PRIs in the statement of financial position represent various below market rate loans with outstanding principal totaling $6,340,000 as of December 31, 2008. Interest rates range from 1% to 3% and principal is scheduled to be paid in full to the Foundation at maturity dates ranging from September 2013 through July 2018. Loans are individually monitored to determine net realizable value based on an evaluation of recoverability. Management has reviewed the collectability of all PRIs and has recorded an allowance of $417,000 as of December 31, 2008. The Foundation has PRI commitments of $2,910,000 as of December 31, 2008.

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 depreciation was $751,556 and $715,326 at December 31, 2008 and 2007, respectively.

Property and equipment consists of the following at December 31, 2008 and 2007:

	2008	2007
Land	$ 500,000	$ 500,000
Building and improvements	13,410,249	13,116,510
Furniture and fixtures	1,067,672	1,057,157
Computer and office equipment	904,927	802,806
	15,882,848	15,476,473
Less accumulated depreciation and amortization	(2,570,682)	(1,819,126)
Total property and equipment — net	$ 13,312,166	$ 13,657,347

Grant Expenditures — Historically, Kresge has used one tool, facilities capital awarded as a challenge grant, to advance its work. During 2008, the Foundation began the process of expanding its funding methods to include multi-year grants, which if unconditional, are recognized as grant expense when the grant is approved by the Board of Trustees. Conditional promises to give are recognized as grant expense in the period in which the recipient substantially meets the terms of the condition. A conditional promise to give is considered unconditional if the possibility that the condition will not be met is remote. It has been the Foundation's experience that substantially all facilities capital grants meet their fund raising challenge requirement; accordingly, these grants are considered unconditional and recorded as expense in the year approved. The Foundation had $2,400,000 and $0 in conditional grants at December 31, 2008 and 2007, respectively.

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 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 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 statement of financial position the fair value of those assets and liabilities for which the reporting entity has chosen to measure at fair value. The Foundation adopted FAS 159 effective January 1, 2008, for grants payable which resulted in an insignificant impact on the Foundation's financial position and statement of income, expenditures, and changes in unrestricted net assets.

In July 2006, the FASB issued Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109* ("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 derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FASB Staff Position FIN No. 48-3, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises*, defers the effective date for private organizations until fiscal years beginning after December 15, 2008. Accordingly, the Foundation has elected to defer the implementation of FIN No. 48. The Foundation is currently assessing the impact of the adoption of FIN 48 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 currently assessing the impact the application of FAS 161 will have on its financial statements.

Line of Credit — The Foundation has an unsecured $50,000,000 and $100,000,000 line of credit at December 31, 2008 and 2007, respectively. At December 31, 2008, at the Foundation's election, interest on amounts borrowed under the credit agreement is payable at 50 basis points below the lender's prime rate or at London InterBank Offered Rate (LIBOR) plus 150 basis points; the effective rate was 2.75%. At December 31, 2007, at the Foundation's election, interest on amounts borrowed under the credit agreement is payable at 200 basis points below the lender's prime rate or at LIBOR plus 20 basis points; the effective rate was 5.25%. At December 31, 2008 and 2007, the outstanding borrowings were $0 and $27,000,000, respectively.

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.

Reclassifications — During 2008, certain amounts reported in the 2007 statements of income, expenditures, and changes in unrestricted net assets, statements of cash flows, and investments footnote were reclassified to conform with 2008 classifications. The reclassifications involved condensing the presentation of various investment income lines and enhancing the disclosures in the investments footnote. Net change in unrestricted net assets, net cash used in operating activities, and total investments did not change.

3. INVESTMENTS

Temporary Investments — The Foundation considers temporary investments to be unsettled trade purchases and sales, and cash and cash equivalents held as part of the long-term investment strategy of the Foundation. Cash equivalents are considered to be investments with a maturity of three months or less. The Foundation had unsettled trade purchases of $398,000 and $685,000 at December 31, 2008 and 2007, respectively. The Foundation had unsettled trade sales of $172,611,000 and $104,901,000 at December 31, 2008 and 2007, respectively.

Fixed Income, U.S. Equity, and Foreign Equity Securities — Fixed income, U.S. equity, and foreign equity securities include investments in separate and commingled funds.

Hedge Funds, Natural Resources, Private Equity, and Real Estate — Hedge funds' fair values are based on information provided by the administrators of each underlying fund. Natural resources, private equity, and real estate limited partnerships are accounted for on the equity method. Gains and losses on investments include equity earnings from limited partnerships. These investments may utilize leverage to increase the potential return on the investments.

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 has netted liability positions against the investment balance. For accounting purposes, the derivatives do not have hedge designation.

The Foundation uses derivative instruments to manage its exposure to market risks, specifically to gain protection against major market corrections. 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. The notional and fair values of derivative investments at December 31, 2008 and 2007, consist of the following:

	2008		2007	
	Notional	Fair Value	Notional	Fair Value
Swaps	$ 414,337,000	$ (9,842,000)	$ 497,256,000	$ 4,977,000
Credit default swaps	123,300,000	5,609,000	3,906,575,000	56,529,000
Options	1,895,000,000	27,300,000	-	-
Currency positions	202,441,000	(533,000)	304,982,000	11,528,000
Total derivative instruments	$ 2,635,078,000	$ 22,534,000	$ 4,708,813,000	$ 73,034,000

The fair value of the Foundation's investments at December 31, 2008 and 2007, consist of the following:

	2008	2007
Temporary investments	$ 249,002,469	$ 201,112,635
Fixed income securities	99,234,712	120,313,652
U.S. equity securities	314,450,574	388,579,342
Foreign equity securities	548,047,426	1,075,931,643
Hedge funds and derivatives	665,065,490	931,190,108
Natural resources	204,732,853	240,242,567
Private equity	525,544,752	580,716,795
Real estate	198,938,263	286,359,605
Total investments	$2,805,016,539	$3,824,446,347

Net realized gain and change in net unrealized market gain (loss) are determined by comparing cost to proceeds and fair market value, respectively. Cost is determined on a first-in first-out basis. The gain or loss on the Foundation's investment portfolio for the years ended December 31, 2008 and 2007, consists of the following:

	2008	2007
Net realized gain	$ 306,254,836	$ 439,372,621
Net unrealized (loss) gain	(1,118,612,486)	240,267,445
Net realized and unrealized (loss) gain on investments	$ (812,357,650)	$ 679,640,066

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, 2008 and 2007, the Foundation had loaned securities with a total market value of $24,621,000 and $71,726,000, respectively, and received related cash collateral of $26,040,000 and $73,069,000, respectively.

The changes in security lending collateral of $47,029,379 and $5,865,675 as of December 31, 2008 and 2007, respectively, are considered noncash transactions.

At December 31, 2008 and 2007, the Foundation had commitments to contribute approximately $845,244,000 and $719,970,000, respectively, in additional capital under the terms of various agreements covering alternative partnership investments over the next seven years.

4. FAIR VALUE

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurements* ("FAS 157"), which defines fair value, provides a framework for measuring fair value, and expands disclosures required for fair value measurements. FAS 157 applies to other accounting pronouncements that require fair value measurement; it does not require any new fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007, and was adopted by the Foundation as of January 1, 2008. The adoption of this statement did not have a material effect on the Foundation's results of operations or financial position.

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.

Fair Value Hierarchy — FAS 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, FAS 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumption about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

FAS 157 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 — Quoted market prices in active markets for identical assets or liabilities.

Level 2 — Observable market-based inputs, unobservable inputs that are corroborated by market data, or present valuing techniques.

Level 3 — Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Foundation's own assumptions.

The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The financial assets and liabilities recorded at fair value on a recurring basis within the fair value hierarchy, as of December 31, 2008, is as follows:

	2008	Level 1	Level 2	Level 3
Temporary investments	$ 249,002,469	$ 195,762,494	$ 53,239,975	$ -
Fixed income securities	99,234,712	3,369,729	346,048	95,518,935
U.S. equity securities	314,450,574	74,680,590	64,992,345	174,777,639
Foreign equity securities	548,047,426	57,361,464	-	490,685,962
Hedge funds and derivatives	665,065,490	-	10,385,341	654,680,149
Natural resources	204,732,853	-	118,139,969	86,592,884
Private equity	525,544,752	-	-	525,544,752
Real estate	198,938,263	11,447,519	14,370,287	173,120,457
Total investment	$ 2,805,016,539	$ 342,621,796	$ 261,473,965	$ 2,200,920,778
Securities lending	$ 26,039,652	$ 26,039,652	$ -	$ -
Grants payable	$ 222,105,158	$ -	$ 222,105,158	$ -

Level 1 classifications consist of U.S. Treasuries, commercial paper, and other fixed income securities with observable market prices. Unsettled trade receivable and payable valuations are reflective of cash settlements subsequent to year-end. Fixed income, U.S. equity, and foreign equity securities have readily determinable fair market values based on quoted prices in active markets.

Level 2 classifications consist of commingled funds where detailed holdings were available and a significant portion of the funds' fair value could be determined based on quoted market prices. The fair value of the derivative investments are based on market prices from the financial institution that is the counterparty to the derivative. Oil and natural gas price assumptions used in the fair value estimate are based on forward NYMEX prices.

Level 3 classifications consist of fixed income, U.S. equity, and foreign equity securities that do not have readily determinable market values because detailed holdings were unavailable or the securities are not publically traded. Fair value estimates for equity securities are based on other market data for the same or comparable instruments and transactions. Commingled hedge funds fair values are based on information provided by the administrators of each underlying fund; management also takes into consideration consultation with fund investment managers and audited financial information to determine overall reasonableness of the recorded value. Natural resources, private equity, and real estate limited partnerships are accounted for on the equity method and are based on information provided by the general partner; management also takes into consideration the audited financial information and K-1 capital account balances to determine overall reasonableness of the recorded value. Management believes that the equity method represents the best estimate of the partnerships' fair value. Audited information is only available annually, based on the partnerships' 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.

The following table presents a reconciliation of the beginning and ending balance of the level 3 investment activity that is measured at fair value using unobservable inputs:

	Investments
Balance — January 1, 2008	$ 3,012,336,251
Total realized and unrealized gains (losses) included in change in net assets	(854,452,958)
Net additions, purchases, sales, and maturities	43,037,485
Balance — December 31, 2008	$ 2,200,920,778

Securities Lending Collateral — The carrying value of securities lending collateral approximates fair value as recorded collateral is composed of cash and cash equivalents that are received.

Grants Payable — The fair value of grants payable is based on the present value of discounted cash flows using the three-month Treasury rate at December 31, 2008.

5. GRANTS PAYABLE

Grants payable at December 31, 2008 and 2007, represent the present value of grants using a 2.0% and 5.0%, respectively, discount rate. The Foundation made grant payments of approximately $164,489,000 and $194,694,000 in 2008 and 2007, respectively.

The Foundation's future grant commitments, which are scheduled for payment in future years as of December 31, 2008, are as follows:

Years Ending December 31	
2009	$ 160,051,822
2010	61,131,938
2011	6,992,125
	228,175,885
Discount	(6,070,727)
Net	$ 222,105,158

6. EXCISE TAX REQUIREMENTS

The Foundation is exempt from federal income taxes under Section 501(c)(3) of 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 2008 and 2007. 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 2008 were approximately $3,192,000 and ($21,135,000), respectively. The unrelated business income tax expense for 2008 was $0. State income tax expense for 2008 was $214,000. 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. Cash payments for federal excise taxes were $5,000,000 and $6,000,000 for the years ended December 31, 2008 and 2007, respectively.

7. 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 for the year ended December 31, 2007, is as follows:

	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 (“FAS 158”). FAS 158 requires recognition of the overfunded or underfunded status of defined benefit pension and other postretirement benefit plans as an asset or liability in the statements of financial position 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 FAS 158 in the Foundation’s statement of financial position at December 31, 2007, are presented as follows:

	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, 2008 and 2007, are as follows:

	Postretirement Employee Benefits	
	2008	**2007**
Fair value of plan assets	$ -	$ -
Benefit obligation	(5,524,004)	(7,073,943)
Funded status of the plan	$ (5,524,004)	$ (7,073,943)
Accrued benefit (liability) asset recognized in the statement of financial position — January 1	$ (7,073,943)	$ (5,687,315)
Service cost	$ 493,910	$ 642,566
Interest cost	372,651	481,689
Expected return on plan assets	-	-
Transition obligation amortization	-	-
Prior service cost amortization	(127,526)	-
Immediate recognition of benefit cost occurring this fiscal year	-	-
Net amortization loss	70,331	210,913
Benefit cost recognized in the statement of income, expenditures, and changes in unrestricted net assets	$ 809,366	$ 1,335,168
Effect of FAS 158 implementation on unrestricted net assets	$ -	$ 1,386,630
Actuarial (gain) loss recognized in the statement of income, expenditures, and changes in unrestricted net assets	$ (2,212,006)	$ -
Employer contributions	$ 147,299	$ 183,617
Benefits paid	$ (147,299)	$ (183,617)
Benefit obligation	$ (5,524,004)	$ (7,073,943)

The postretirement employee benefit liability is included in the accounts payable and other liability balance on the balance sheet for the years ended December 31, 2008 and 2007.

	Postretirement Employee Benefits	
	2008	**2007**
Assumptions and Dates Used for Disclosure		
Discount rate	6.25 %	6.50 %
Compensation increase rate	4.50	4.50
Measurement date	12/31/2008	12/31/2007
Assumptions Used to Determine Expense		
Discount rate	6.50 %	6.00 %
Compensation increase rate	4.50	4.50
Health care cost trend rate assumptions:		
Initial trend rate	10.00 %	11.00 %
Ultimate trend rate	5.00	5.00
Year ultimate trend is reached	2013	2013

A one-percentage change in assumed health care cost trends rates would have the following effects as of December 31, 2008:

	1 Percentage Point	
	Increase	**Decrease**
Effect on postretirement benefit obligation	$ 849,985	$ (688,626)

Expected amortization during 2009 for amortization of net prior service credit and amortization of net loss are $(127,526) and $0, respectively.

Future Expected Benefit Payments	
2009	$ 175,775
2010	185,016
2011	208,296
2012	216,905
2013	265,230
2014–2018	1,878,043

8. SUBSEQUENT EVENT

On June 5, 2009, the Foundation entered into a line of credit agreement that allows the Foundation to borrow up to $75,000,000.

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