

JEROME FOUNDATION INC.
Saint Paul, Minnesota

FINANCIAL STATEMENTS
Including Independent Auditors' Report

April 30, 2009 and 2008

JEROME FOUNDATION INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Members
Jerome Foundation, Inc.
Saint Paul, Minnesota

We have audited the accompanying statement of financial position of Jerome Foundation, Inc. (the Foundation) as of April 30, 2009, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of Jerome Foundation, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements as of April 30, 2008 were audited by other auditors whose report dated October 1, 2008 expressed an unqualified opinion.

We conducted our audit 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jerome Foundation, Inc. as of April 30, 2009, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2 to the financial statements, Jerome Foundation, Inc. adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* and FASB Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an Amendment of FASB Statement No. 115*, as of May 1, 2008.

Baker Tilly Virchow Krause, LLP

Minneapolis, Minnesota
November 2, 2009

JEROME FOUNDATION, INC

STATEMENTS OF FINANCIAL POSITION
April 30, 2009 and 2008

	ASSETS	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 102,469	\$ 274,805
Accrued investment income	145,684	230,893
Prepaid expenses and other receivables	11,107	13,823
Prepaid excise tax	11,900	8,100
Investments	59,785,773	85,310,854
Beneficial interest in charitable remainder trust	2,175,650	2,870,051
Collateral received under securities lending agreement-at fair value	6,171,316	24,122,158
Property and equipment, net	<u>19,209</u>	<u>31,387</u>
TOTAL ASSETS	\$ <u>68,423,108</u>	\$ <u>112,862,071</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Grant commitments payable	\$ 796,431	\$ 1,110,120
Accounts payable	66,365	81,045
Deferred excise tax	-	30,800
Payable under securities lending agreement -at contract value	<u>7,620,322</u>	<u>24,607,551</u>
Total Liabilities	8,483,118	25,829,516
NET ASSETS		
Unrestricted		
Undesignated	57,519,755	83,833,370
Board designated	<u>244,585</u>	<u>329,134</u>
Total unrestricted net assets	57,764,340	84,162,504
Temporarily restricted	<u>2,175,650</u>	<u>2,870,051</u>
Total Net Assets	<u>59,939,990</u>	<u>87,032,555</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>68,423,108</u>	\$ <u>112,862,071</u>

See accompanying notes to financial statements.

JEROME FOUNDATION, INC.

STATEMENTS OF ACTIVITIES
Years Ended April 30, 2009 and 2008

	2009			2008		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
OPERATING						
SUPPORT AND REVENUE						
Interest	\$ 967,302	\$ -	\$ 967,302	\$ 749,226	\$ -	\$ 749,226
Dividends	888,491		888,491	992,002		992,002
Contributions	35,000		35,000	45,000		45,000
Securities lending income	71,607		71,607	60,228		60,228
Commission recapture	13,076		13,076	3,748		3,748
Other Income	16,379		16,379	34,582		34,582
Release from restrictions	-	-	-	267,542	(267,542)	-
Total Support and Revenue	<u>1,991,855</u>	<u>-</u>	<u>1,991,855</u>	<u>2,152,328</u>	<u>(267,542)</u>	<u>1,884,786</u>
EXPENSES						
Grants awarded	2,400,584		2,400,584	2,909,109		2,909,109
Salaries and benefits	596,866		596,866	594,347		594,347
Office and other expenses	150,828		150,828	163,769		163,769
Total Expense	<u>3,148,278</u>	<u>-</u>	<u>3,148,278</u>	<u>3,667,225</u>	<u>-</u>	<u>3,667,225</u>
CHANGE IN NET ASSETS - OPERATING	(1,156,423)	-	(1,156,423)	(1,514,897)	(267,542)	(1,782,439)
NONOPERATING						
Net loss on investments	(24,788,540)		(24,788,540)	(4,586,574)		(4,586,574)
Federal excise tax (provision) benefit	9,600		9,600	64,100		64,100
Investment and agent fees	(462,801)		(462,801)	(556,387)		(556,387)
Change in value of beneficial interest in charitable remainder trust		(694,401)	(694,401)		21,783	21,783
CHANGE IN NET ASSETS - NONOPERATING	<u>(25,241,741)</u>	<u>(694,401)</u>	<u>(25,936,142)</u>	<u>(5,078,861)</u>	<u>21,783</u>	<u>(5,057,078)</u>
TOTAL CHANGE IN NET ASSETS	(26,398,164)	(694,401)	(27,092,565)	(6,593,758)	(245,759)	(6,839,517)
NET ASSETS - Beginning of Year	<u>84,162,504</u>	<u>2,870,051</u>	<u>87,032,555</u>	<u>90,756,262</u>	<u>3,115,810</u>	<u>93,872,072</u>
NET ASSETS - End of Year	<u>\$ 57,764,340</u>	<u>\$ 2,175,650</u>	<u>\$ 59,939,990</u>	<u>\$ 84,162,504</u>	<u>\$ 2,870,051</u>	<u>\$ 87,032,555</u>

See accompanying notes to financial statements.

JEROME FOUNDATION, INC.
STATEMENTS OF CASH FLOWS
Years Ended April 30, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (27,092,565)	\$ (6,839,517)
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	12,178	12,177
Net loss on investments	24,788,540	4,586,574
Adjustment of charitable remainder trust	694,401	(21,783)
Deferred excise tax benefit	(30,800)	(204,700)
Changes in operating assets and liabilities		
Accrued investment income	85,209	(95,211)
Prepaid expenses and other receivables	2,716	6,515
Prepaid excise tax	(3,800)	5,600
Grant commitments payable	(313,689)	150,044
Accounts payable	(14,680)	(9,856)
Net Cash Flows From Operating Activities	(1,872,490)	(2,410,157)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(95,552,237)	(117,496,715)
Proceeds from sales of investments	97,252,391	119,856,462
Net Cash Flows From Investing Activities	1,700,154	2,359,747
CASH FLOWS FROM FINANCING ACTIVITIES		
Distributions from charitable remainder trust		267,542
Change in Cash and Cash Equivalents	(172,336)	217,132
CASH AND CASH EQUIVALENTS - Beginning of Year	274,805	57,673
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 102,469	\$ 274,805
Supplemental cash flow disclosures		
Excise tax payments	\$ 25,000	\$ 135,000

See accompanying notes to financial statements.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Jerome Foundation, Inc. (the Foundation) is a private foundation incorporated under the laws of Minnesota. Grants are made to support programs and projects located in the State of Minnesota and New York City in the areas of dance, literature, film and video, multidisciplinary arts, music, theater, visual arts, and arts criticism.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Foundation are classified and reported as follows:

Unrestricted Net Assets - Resources over which the Board of Directors (the Board) has discretionary control. Board designated amounts represent net assets set aside for individual grants in the Minnesota film and video program, New York City film and video program, and Travel and Study program that are not yet committed to individuals.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. Temporarily restricted net assets consist of the value of the Foundation's beneficial interest in a charitable remainder trust.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Foundation. Generally, the donors of such assets permit the Foundation to use all or part of the income earned on the assets. The Foundation currently has no permanently restricted net assets.

Cash and Cash Equivalents

The Foundation considers all highly liquid investments, except those held for long-term investment, with maturities of three months or less when purchased to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair market value at date of the gift, if donated. All acquisitions of property and equipment in excess of \$3,000 and all expenditures for repairs, maintenance, improvements and betterments that materially prolong the useful lives of assets are capitalized. Maintenance, repairs, and minor improvements are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Contributions

Contributions are recognized when received in the form of a pledge or cash. Restricted contributions that are fulfilled in the same time period are classified as unrestricted.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tax-Exempt Status

The Foundation has received notification that it qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and corresponding provisions of State law. Due to the Foundation's classification as a private foundation under the Internal Revenue Code, it pays an excise tax of 2% (reduced to 1% if certain requirements are met) of its net taxable investment income.

Classification of Expenses

Grants and expenses associated with the Foundation's direct charitable activities are considered to be program expenses, while other expenses of the Foundation are considered to be management and general expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Beneficial Interest in Charitable Remainder Trust

The Foundation is named as a beneficiary of a charitable remainder trust, which allows for a distribution to the Foundation after the death of the named beneficiaries. The Foundation is not the trustee and therefore does not control or have access to the assets of the trust. The Foundation's interest in the trust is reported as fair value of the assets of the trust less the present value of estimated future payments to the noncharitable beneficiaries based on the life expectancy using a discount rate of 6%.

Grants

Grant commitments are charged to operations at the time the grants are approved by the Board of Directors.

Concentration of Credit Risk

At times during the year, the Foundation may have cash in excess of federally insured limits of \$250,000 per financial institution.

Measure of Operations

In its Statement of Activities, the Foundation includes in its definition of operations all support, revenues, and expenses that are an integral part of its programs and supporting activities. Non-operating activity consists primarily of net realized and unrealized gains and losses, investment and agent fees, federal excise tax, and change in value of beneficial interest in the charitable trust.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value of Financial Instruments

The carrying amounts reflected on the Statement of Financial Position for cash and cash equivalents, accrued investment income, grant commitments payable, and deferred excise tax approximate fair value due to the short maturity of these financial instruments. The fair values for investments and other financial instruments recorded at fair value on a recurring basis are included in Note 2.

Reclassifications

Certain 2008 amounts in the accompanying financial statements have been reclassified to conform to 2009 presentations. Such reclassifications had no impact on net assets or the change in net assets.

Subsequent Events

The Organization has evaluated subsequent events through November 2, 2009 which is the date that the financial statements were approved and available to be issued.

New Accounting Pronouncements

In March 2008, the FASB issued Statement on Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS 161). This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments; (b) how derivative instruments and related hedge items are accounted for under Statement 133 and its related interpretations; and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2008. As of April 30, 2009, the Foundation does not believe the adoption of SFAS 161 will materially impact the financial statement amounts or footnote disclosures.

In May 2009, the FASB issued Statement on Financial Accounting Standards No. 164, *Not-for-Profit Entities: Mergers and Acquisitions* (SFAS 164). This Statement sets standards for the combination of one nonprofit entity with another nonprofit entity or nonprofit activity. This Statement is effective for mergers occurring on or after December 15, 2009 or for acquisitions for financial statements issued for fiscal years beginning after December 15, 2009. As of April 30, 2009, the Foundation does not believe the adoption of SFAS 164 will materially impact the financial statement amounts or footnote disclosures.

In August 2009 the FASB issued Statement on Financial Accounting Standards No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (as amended)* (SFAS 168). This statement establishes the FASB Accounting Standards Codification (Codification) as the source of authoritative accounting principles recognized by FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. This Statement is effective for financial statements issued for fiscal years beginning after September 15, 2009.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 2 - FAIR VALUE MEASUREMENTS

Effective May 1, 2008, the Foundation adopted the provisions of FASB Statement No. 157, *Fair Value Measurements* (SFAS 157), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. SFAS 157 establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of the asset or liability as of the measurement date. SFAS 157 expands disclosures about instruments measured at fair value. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements and, accordingly, SFAS 157 does not require any new fair value measurements.

Subsequent to the issuance of SFAS 157, the FASB issued additional Financial Staff Positions (FSP) which provides implementation guidance related to fair value measurements. The Foundation has adopted the applicable FSPs as appropriate during fiscal year 2009.

Effective May 1, 2008, the Foundation adopted FASB Statement No. 159, *The Fair Value Option for Financial Assets and Liabilities, including an amendment of FASB Statement No. 115*, which among other things, provides an option to elect fair value as an alternative measurement for selected financial assets and liabilities not previously recorded at fair value. The Foundation did not elect fair value accounting for any asset or liability that is not currently required to be measured at fair value.

As noted above, SFAS 157 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

The following table presents financial instruments that are measured at fair value on a recurring basis by the SFAS 157 hierarchy as of April 30, 2009:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Cash and short-term investments	\$ 510,452	\$ 510,452	\$ -	\$ -
Stocks	29,913,486	29,913,486		
Bonds	15,104,108	15,104,108		
Mutual funds	6,440,939	6,440,939		
Global equity funds	3,330,320			3,330,320
Commingled trust funds	3,111,518			3,111,518
Timber and timberlands	1,374,950			1,374,950
Collateral received under securities lending agreement	6,171,316			6,171,316
Beneficial interest in charitable remainder trust	<u>2,175,650</u>			<u>2,175,650</u>
 Total	 <u>\$ 68,132,739</u>	 <u>\$ 51,968,985</u>	 <u>\$ -</u>	 <u>\$ 16,163,754</u>

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

Cash and short-term investments - The fair value of short-term investments, consisting primarily of money market funds, is classified as Level 1 as these funds are traded on a regular basis.

Stocks - Investments in stocks are measured at fair value using quoted market prices. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available.

Bonds - Investments in bonds are comprised of U.S. Treasury notes, U.S Treasury bonds, mortgage backed securities, municipal bonds and corporate bonds and notes. U.S. Treasury notes and bonds are classified as Level 1 as they trade with sufficient frequency and volume to enable the Foundation to obtain pricing information on an ongoing basis.

Mutual funds - Mutual funds are classified as Level 1 if they are traded in an active market for which closing prices are readily available.

Commingled trust and global equity funds - Investments in comingled trust and global equity funds for which there is no readily determinable fair value are classified as level 3 as the valuation is based on significant unobservable inputs. In cases where the investee has provided its investors with a net asset value per share that has been calculated in accordance with the AICPA Audit and Accounting Guide, *Investment Companies*, the Foundation has estimated its fair value by using the most recent net asset value provided by the investee.

Timber and timberlands - Investments in timber and timberlands for which there is no readily determinable fair value are classified as Level 3 as the valuation is based on significant unobservable inputs. The Foundation has estimated fair value using an independent appraisal by a forestry consultant.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 2 - FAIR VALUE MEASUREMENTS (Continued)

Collateral received under securities lending agreement - Investments held as collateral on the Foundation's securities lending program are classified as Level 3 as the valuation is based on significant unobservable inputs. The amount of collateral held is adjusted daily based on market value changes of the loaned securities within the securities lending program.

Beneficial interest in charitable remainder trust - The Foundation's beneficial interest in remainder trusts administered by a third party are classified as Level 3 as the fair values are based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the Foundation has an irrevocable right to receive the income earned from the trust's assets, the fair value of the Foundation's beneficial interest is estimated to approximate the fair value of the trusts' assets.

While the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table presents a reconciliation of the statement of financial position amounts for financial instruments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended April 30, 2009:

	Balances April 30, 2008	Net realized and unrealized gains (losses) included in change in net assets	Purchases, sales, issuances and settlement, net	Net transfers in (out) of Level 3	Balances April 30, 2009
Global equity funds	\$ 6,279,812	\$ (2,770,611)	\$ (178,881)	-	\$ 3,330,320
Commingled trust funds	5,892,085	(2,681,657)	(98,910)		3,111,518
Timber and timberlands	1,227,200	147,750			1,374,950
Collateral received under securities lending agreement	24,122,158	(1,449,006)	(16,501,836)		6,171,316
Beneficial interest in charitable remainder trust	2,870,051	(694,401)			2,175,650
Total	\$ 40,391,306	\$ (7,447,925)	\$ (16,779,627)	\$ -	\$ 16,163,754

The amount of total gains or (losses) for the period included in change in net assets attributable to the change in unrealized gains or losses relating to Level 3 financial instruments still held at April 30, 2009

\$ (4,917,055)

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 3 – SECURITIES LENDING

The Foundation lends its investment securities to registered broker-dealers. The borrower provides collateral in the form of cash, U.S. Government securities, or a bank letter of credit in an amount in excess of the loaned securities' aggregate value. The Foundation receives either (i) a fee in the case of non-cash collateral or (ii) payment of a portion of earnings in the case of cash-collateral. The amount of collateral held is adjusted daily based on market value changes of the loaned securities. The borrower must return identical securities to close the loan at which time the collateral will be returned. Collateral is held and invested by the investment custodian and is immediately available upon default. The Foundation bears risk in the event that the value of the invested collateral is not sufficient to meet obligations due on the loans. All earnings from interest and dividends on the loaned securities revert to the Foundation, except for commissions to the agent for handling the securities lending.

As of April 30, 2009, the market value of the invested collateral held for securities on loan was \$1,449,006 less than the contract value of the securities. Of this total, \$240,552 was due to potential losses from a financial company currently being restructured and \$638,120 was a potential loss from a financial company currently in bankruptcy. Beginning November 1, 2007, the investment custodian has been foregoing its commission to help offset these potential losses. The Foundation has begun a phased withdrawal of its participation in the securities lending program.

The following is a summary of loaned securities balances:

	<u>2009</u>	<u>2008</u>
Fair value of securities on loan	\$ 7,361,205	\$ 23,858,280
Fair value of collateral held	\$ 6,171,316	\$ 24,122,158
Contract value of collateral received	\$ 7,620,322	\$ 24,607,551

NOTE 4 - INVESTMENTS

Long-term investments held by the Foundation at April 30, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Cash equivalents	\$ 482,598	\$ 534,806
Pending trade receivable	34,453	
Pending trade payable	(6,600)	(106,750)
Common stocks	25,875,431	29,317,600
Securities on loan	7,361,205	23,858,280
Bonds and notes	11,780,958	10,741,282
Mutual, global equity and commingled funds	12,882,778	19,738,436
Timber and timberlands	1,374,950	1,227,200
	<u>\$ 59,785,773</u>	<u>\$ 85,310,854</u>

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 4 – INVESTMENTS (Continued)

Realized (losses) gains associated with the Foundation's investments for the years ended April 30, 2009 and 2008 were (\$16,304,498) and \$5,832,853, respectively. Unrealized losses associated with the Foundation's investments for the years ended April 30, 2009 and 2008 were (\$8,484,042) and (\$10,419,427), respectively.

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

NOTE 5 – PROPERTY AND EQUIPMENT

A summary of the property costs and accumulated depreciation at April 30 is as follows:

	<u>2009</u>	<u>2008</u>
Equipment	\$ 56,985	\$ 56,985
Vehicle	23,006	23,006
Leasehold improvements	66,524	66,524
Totals	<u>146,515</u>	<u>146,515</u>
Less: Accumulated depreciation	<u>127,306</u>	<u>115,128</u>
Net Property and Equipment	<u>\$ 19,209</u>	<u>\$ 31,387</u>

NOTE 6 – GRANT COMMITMENTS PAYABLE

Grant activity for the years ended April 30, 2009 and 2008 is summarized as follows:

	<u>2009</u>	<u>2008</u>
Grant commitments payable, beginning of year	\$ 1,110,120	\$ 960,076
Appropriations	2,400,584	2,909,109
Payments	<u>(2,714,273)</u>	<u>(2,759,065)</u>
Grant commitments payable, end of year	<u>\$ 796,431</u>	<u>\$ 1,110,120</u>

All grant commitments outstanding at April 30, 2009 are expected to be paid within one year.

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS

April 30, 2009 and 2008

NOTE 7 - FEDERAL EXCISE TAX

The federal excise tax provision (benefit) consists of the following:

	<u>2009</u>	<u>2008</u>
Provision (benefit)		
Current	\$ 21,200	\$ 140,600
Deferred	<u>(30,800)</u>	<u>(204,700)</u>
Totals	<u>\$ (9,600)</u>	<u>\$ (64,100)</u>

The Foundation is subject to minimum distribution requirements of the Internal Revenue Code.

Deferred taxes result from certain income and expense items being accounted for in different time periods for financial statement purposes than for federal excise tax purposes. Deferred excise tax expense (benefit) arises from the change in unrealized appreciation in fair value of investments. The deferred excise tax provision (benefit) is calculated utilizing the 1% excise tax rate for the year ended April 30, 2009 and 2% for the year ended April 30, 2008.

NOTE 8 – RETIREMENT PLAN

The Foundation has a defined contribution profit-sharing and 401(k) plan for all eligible employees. Contributions are subject to the Board of Directors' discretion. Employer contributions for the year ended April 30, 2009 and 2008 amounted to 8% and 12% of qualified compensation per individual employee, respectively. Retirement plan expense was \$32,292 and \$47,181 for the years ended April 30, 2009 and 2008, respectively. The Foundation also allows employees to make pre-tax contributions up to 30% of wages to their 401(k) account.

NOTE 9 - FUNCTIONAL EXPENSES

The functional allocation of expenses for the years ended April 30, 2009 and 2008 was as follows:

	<u>2009</u>	<u>2008</u>
Programs	\$ 2,493,789	\$ 3,024,647
Management and general	<u>654,489</u>	<u>642,578</u>
Totals	<u>\$ 3,148,278</u>	<u>\$ 3,667,225</u>

JEROME FOUNDATION, INC.

NOTES TO FINANCIAL STATEMENTS
April 30, 2009 and 2008

NOTE 10 - LEASE COMMITMENT

The Foundation has a non-cancelable operating lease for office space that expires September 30, 2013. The Foundation is required to pay base rent and its share of operating expenses. Rent expense related to this lease was \$54,719 and \$54,919 for the years ended April 30, 2009 and 2008, respectively. At April 30, 2009, the minimum lease payments were as follows:

Year Ending April 30:		
2010	\$	49,544
2011		50,348
2012		51,153
2013		51,957
2014		<u>21,789</u>
Total Lease Commitments	\$	<u>224,791</u>