Altman Foundation

Financial Statements

December 31, 2011

O'CONNOR DAVIES

PKF

Independent Auditors' Report

Board of Trustees
Altman Foundation

We have audited the accompanying statements of financial position of Altman Foundation (the "Foundation") as of December 31, 2011 and 2010, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Altman Foundation as of December 31, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies, LLP

New York, New York
September 18, 2012

Altman Foundation

Statements of Financial Position

	December 31, 2011	December 31, 2010
ASSETS		
Cash in operating account	$ 96,641	$ 688,052
Prepaid taxes	6,828	20,000
Prepaid expenses	56,376	42,642
Investments	231,206,703	242,426,532
Program related investments	1,300,000	1,800,000
Furniture, equipment and leasehold improvements, net	67,732	93,693
Deferred pension asset	1,244,173	1,058,610
	$ 233,978,453	$ 246,129,529
LIABILITIES AND NET ASSETS		
Liabilities		
Grants payable	$ 3,355,000	$ 3,350,000
Accounts payable and accrued expenses	311,896	249,202
Current tax payable	151,328	4,000
Deferred federal excise tax liability	457,500	340,000
Deferred pension liability	1,434,173	1,158,610
	5,709,897	5,101,812
Unrestricted net assets	228,268,556	241,027,717
	$ 233,978,453	$ 246,129,529

See notes to financial statements

Altman Foundation

Statements of Activities

	Year Ended December 31, 2011	Year Ended December 31, 2010
REVENUE		
Interest, dividends and partnership revenue	$ 3,651,499	$ 2,620,832
Net realized gain on sale of investments	9,174,005	2,941,004
Net unrealized (loss) gain on investments	(11,296,839)	22,244,273
Other income	29,600	35,775
	1,558,265	27,841,884
Direct investment expenses	(1,144,797)	(1,258,618)
Current Federal excise tax and state taxes	(220,500)	(35,348)
Deferred excise tax benefit (expense)	(117,500)	(220,000)
Net Revenue	75,468	26,327,918
EXPENSES		
Grants authorized	10,479,650	12,320,290
Grant administration	1,739,299	1,757,404
Investment administration	615,680	657,649
Total Expenses	12,834,629	14,735,343
Change in Net Assets	(12,759,161)	11,592,575
NET ASSETS		
Beginning of year	241,027,717	229,435,142
End of year	$ 228,268,556	$ 241,027,717

See notes to financial statements

Altman Foundation

Statements of Cash Flows

	Year Ended December 31, 2011	Year Ended December 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (12,759,161)	$ 11,592,575
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	25,962	29,527
Net realized gain on sale of investments	(9,174,005)	(2,941,004)
Net unrealized loss (gain) on investments	11,296,839	(22,244,273)
Deferred federal excise tax expense	117,500	220,000
Net change in operating assets and liabilities		
Prepaid taxes	13,172	35,000
Prepaid expenses	(13,734)	1,742
Grants payable	5,000	640,000
Accounts payable and accrued expenses	62,694	(146,967)
Current tax payable	147,328	(12,000)
Net deferred pension	90,000	100,000
Net Cash from Operating Activities	(10,188,405)	(12,725,400)
CASH FLOWS FROM INVESTING ACTIVITIES		
Repayment of program related investment	500,000	-
Disbursement of program related investment	-	(1,000,000)
Proceeds from sale of investments	102,451,168	65,133,029
Purchase of investments	(93,570,291)	(52,312,020)
Net change in money market investments	216,117	(27,832)
Net Cash from Investing Activities	9,596,994	11,793,177
Net Change in Cash and Cash Equivalents	(591,411)	(932,223)
CASH AND CASH EQUIVALENTS		
Beginning of year	688,052	1,620,275
End of year	$ 96,641	$ 688,052
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for federal excise tax on net investment income	$ 70,000	$ -

See notes to financial statements

1. Organization

The Altman Foundation (the "Foundation") was established and funded in 1913 by Benjamin Altman, the founder of B. Altman & Co. Under its charter, the Foundation is limited to grants to organizations in New York State. The Foundation concentrates its support to educational institutions, hospitals and health centers, artistic and cultural institutions, and social welfare programs, primarily in the metropolitan New York City area.

2. Summary of Significant Accounting Policies

Use of Estimates

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

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. At December 31, 2011 and 2010, the net assets of the Foundation were unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents represent short-term investments with original maturities of three months or less, except for those short-term investments managed by the Foundation's investment managers as part of their long-term investment strategies.

Fair Value Measurements

The Foundation follows Financial Accounting Standards Board (FASB) guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

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

Investments Valuation

Investments are carried at fair value. The fair value of alternative investments, including private equity and real asset funds, has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term. Because some of these investments are not readily marketable their estimated value is subject to uncertainty and therefore may be different from the value that would have been used had a ready market for such investments existed.

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Program Related Investments

Program related investments (PRIs) are reflected at cost less an allowance for potential impairment in value. Whether a valuation allowance is necessary due to impairment is determined based on various factors, including the debtor's payment performance and other pertinent factors related to the debtor's operations and ability to repay its debts. PRIs are individually monitored to determine net realizable value based on an evaluation of recovery. The Foundation assesses the risk of their financing receivables internally as either performing or monitoring. Performing receivables are investments that meet repayment benchmarks on a timely basis. Monitoring receivables are investments that are either behind in their repayment schedules or the overall health of the investee organization is lessened based upon an assessment of the investee. The Foundation considers a PRI past due if an interest or principal payment is more than 30 days overdue. Loans for which interest has not been paid for six months after due date are put into non-accrual status. Interest will no longer be accrued.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method. Leasehold improvements are depreciated over a fifteen-year period. Furniture and fixtures purchases are being depreciated over five years. Computer hardware and software is being depreciated over a five-year period. The Foundation capitalizes all property and equipment items over $10,000.

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

Grants

Grants are recorded as an expense when authorized by the Board of Trustees.

Concentration of Credit Risk

The Foundation invests its cash and cash equivalents in multiple accounts with quality financial institutions. Throughout the year, balances in such investments exceeded the Federal insured limits.

Reclassification

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

Accounting for Uncertainty in Income Taxes

The Foundation recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Foundation had no uncertain tax positions that would require financial statement disclosure. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2008.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which is September 18, 2012.

3. Federal Excise Taxes

The Foundation is a nonprofit organization exempt from Federal income taxes under the provisions of Sections 501(c)(3) of the Internal Revenue Code (the Code), and is a private foundation as defined in Section 509(a) of the Code. The Foundation is subject to a Federal excise tax of 2% on its net investment income, as defined, for tax purposes. However, the excise tax is reduced to 1% if certain conditions are met. For 2011 and 2010 the Foundation's rate was 2% and 1%, respectively. The Foundation has met its minimum distribution requirement.

Deferred taxes principally arise from differences between the cost and fair value of investments held at year end.

4. Assets Measured at Fair Value

The following are major categories of investments measured at fair value on a recurring basis at December 31, grouped by fair value hierarchy:

	2011			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Common Stocks				
Consumer discretionary	$ 3,558,622	$ -	$ -	$ 3,558,622
Energy	2,026,001	-	-	2,026,001
Financial services	3,008,439	-	-	3,008,439
Industrial	2,370,248	-	-	2,370,248
Information technology	5,172,920	-	-	5,172,920
Other	6,035,492	-	-	6,035,492
Fixed income mutual funds	-	6,161,355	-	6,161,355
International emerging market funds	-	10,877,276	-	10,877,276
International equity funds	-	13,798,137	-	13,798,137
Domestic equity funds (a)	-	-	6,959,058	6,959,058
Private equity (a)	-	-	48,938,397	48,938,397
Hedge funds (a)	-	41,108,639	36,075,245	77,183,884
Real asset funds (a)	6,057,197	-	15,261,181	21,318,378
	28,228,919	71,945,407	107,233,881	207,408,207
Temporary cash investments				9,066,432
Unsettled security trades, net				14,732,064
Total Investments	$ 28,228,919	$ 71,945,407	$ 107,233,881	$ 231,206,703
Deferred pension asset	$ -	$ -	$ 905,712	$ 905,712

	2010			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Common Stocks				
Consumer discretionary	$ 3,678,681	$ -	$ -	$ 3,678,681
Financial services	3,055,121	-	-	3,055,121
Health care	2,506,250	-	-	2,506,250
Industrial	3,514,827	-	-	3,514,827
Information technology	7,865,828	-	-	7,865,828
Other	8,931,507	-	-	8,931,507
Fixed income mutual funds	-	6,672,718	-	6,672,718
International emerging market funds	-	14,914,835	-	14,914,835
International equity funds	-	23,957,111	-	23,957,111
Private equity (a)	-	-	40,520,495	40,520,495
Hedge funds (a)	-	45,521,670	59,527,356	105,049,026
Real asset funds (a)	6,552,684	-	10,869,523	17,422,207
	36,104,898	91,066,334	110,917,374	238,088,606
Temporary cash investments				3,339,259
Unsettled security trades, net				998,667
Total Investments	$ 36,104,898	$ 91,066,334	$ 110,917,374	$ 242,426,532
Deferred pension asset	$ -	$ -	$ 899,445	$ 899,445

(a) Based on its analysis of the nature and risks of these investments, the Foundation has determined that presenting them as a single class is appropriate.

4. Assets Measured at Fair Value (*continued*)

The following is a reconciliation of the beginning and ending balances for assets and liabilities measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31:

	2011				
	Private Equity	Domestic Equity Funds	Hedge Funds	Real Asset Funds	Total
Beginning balance	$ 40,520,495	$ -	$ 59,527,356	$ 10,869,523	$ 110,917,374
Realized gains(losses)	1,735,414	(351,402)	5,073,564	12,867	6,470,443
Unrealized gains(losses)	1,713,295	(179,229)	(4,785,108)	1,530,441	(1,720,601)
Purchases, issuances and settlements	4,969,193	7,489,689	(23,740,567)	2,848,350	(8,433,335)
Ending balance	$ 48,938,397	$ 6,959,058	$ 36,075,245	$ 15,261,181	$ 107,233,881

	2010			
	Private Equity	Hedge Funds	Real Asset Funds	Total
Beginning balance	$ 32,258,997	$ 54,476,921	$ 6,147,164	$ 92,883,082
Realized gains(losses)	545,573	5,252	(5,306)	545,519
Unrealized gains(losses)	4,343,747	4,750,996	(162,797)	8,931,946
Transfers between asset categories	(3,756,338)		3,756,338	-
Purchases, issuances and settlements	7,128,516	294,187	1,134,124	8,556,827
Ending balance	$ 40,520,495	$ 59,527,356	$ 10,869,523	$ 110,917,374

Information regarding alternative investments valued at NAV using the practical expedient at December 31, 2011 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds (see "a" below)	$ 77,183,884	$ 2,350,000	Quarterly-Annually	90 days
Private equity (see "b" below)	48,938,397	23,274,560	Locked	N/A
Real asset funds (see "c" below)	15,261,181	1,825,000	Locked	N/A
International equity funds (see "d" below)	13,798,137	-	Monthly	30 days
International emerging market funds (see "e" below)	10,877,276	-	Monthly	6-30 days
Domestic equity funds (see "f" below)	6,959,058	-	Monthly	30 days
Total	$ 173,017,933	$ 27,449,560		

a. This category includes investments in hedge funds that invest both long and short, predominantly in limited partnerships and similar pooled investment vehicles. These funds were primarily formed with the purpose of achieving long-term growth of capital with reduced volatility by allocating its capital among various money managers. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Investments in this category may be redeemed quarterly to annually. Investments representing approximately 15 percent of the value of the investments in this category cannot be

4. Assets Measured at Fair Value (*continued*)

redeemed because the investments include restrictions that either a) do not allow for redemption in the first 12 to 30 months after acquisition or, b) do not allow redemption in whole. The remaining restriction period for these investments ranged from twelve to sixteen months at December 31, 2011.

b. This category includes several private equity funds that invest primarily in international and domestic private equity and venture capital partnerships. These investments can never be redeemed from the funds. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in the respective fund. The nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of the fund will be liquidated over 5 to 8 years, either by sales to strategic buyers -- corporations or other private firms -- or by public offerings. Subsequent to liquidation, the proceeds, less manager fees, will be returned to limited partners.

c. This category includes several real estate funds that invest primarily in U.S. commercial real estate. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in the respective fund. Investors will receive the value of the underlying investments as the funds are liquidated. It is estimated that the underlying assets of the funds will be liquidated over the next 7 to 10 years as underlying properties are sold or refinanced.

d. This category includes investments in equity and equity-linked instruments issued by companies which have their registered offices or which conduct the bulk of their business activities in countries other than the United States, or which exercise a preponderant part of their economic activities in countries other than the United States, including countries classified as emerging -- or developing -- markets, though the bulk of these investments are in developed markets. These funds were primarily formed with the purpose of achieving capital appreciation over the medium- to long-term by allocating its capital among various money managers. The fair values of investments in this category have been estimated using the net asset value per share of the investments as recalculated monthly. Redemptions are permitted on a monthly basis with between six and thirty business days notice.

e. This category includes investments in equity, hybrid, common stock, and fixed-income securities issues by companies which have their registered office in emerging or developing countries. In general, issuers may be considered a developing country if they are considered such in the international financial community. More specifically, an issuer may be considered a developing country if they are domiciled, maintain a principal place of business and/or substantial assets, or derive significant revenues or profits from a developing country. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Redemptions are permitted on a monthly basis with between six and thirty business day notice.

4. Assets Measured at Fair Value (*continued*)

f. This category includes firms who predominantly invest in equity and equity-related securities of U.S. firms. In addition, they may also, from time to time, invest in other instruments, including, but not limited to, capital stock, bonds, notes and debentures, commodities, currencies, US and non-US government securities, mutual funds, money market funds, and other obligations and instruments or evidences of indebtedness of whatever kind or nature, whether or not publicly traded or readily marketable. The fair values of investments in this category have been estimated using the net asset value per share of the investments. Redemptions are permitted on a monthly basis with between six and thirty business days notice.

5. Program Related Investments (PRIs)

PRIs, defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes. The Foundation's PRI loans bear interest at below-market rates, from 0% to 2%, generally payable on a quarterly basis. PRI loans are individually monitored and at December 31, 2011 are deemed performing receivables. Management has reviewed the collectability of all PRI loans and deemed an allowance to be unnecessary. At December 31, 2011, there were no PRI loans past due.

Expected repayments are as follows:

2012	$ 1,000,000
2013	300,000
	$ 1,300,000

6. Retirement Plans

The Foundation provides a 403(b) deferred compensation and savings plan to eligible employees. Employee contributions are permitted with the Foundation matching one-half of these contributions up to a maximum of 5% of salary per employee in 2011 and 2010.

The Foundation also maintains a profit sharing plan for eligible employees. For 2011, the Foundation's contribution was 7% of salary for all eligible officers and staff. In 2010, contributions were based on the maximum contribution allowable under IRC Section 415 limits for officers and 7% for the remainder of the staff.

The Foundation has also established a non-qualified retirement plan for a select group of management determined by the Board of Trustees, to which contributions to qualified pension plans are limited. Assets associated with this plan are assets of Altman Foundation, and are included in statements of financial position. An amount to represent the funds due to the plan participants is included in the statements of financial position as a liability. Due to a qualifying event in December 2011, a distribution of benefits was made February 1, 2012 in the amount of $664,859.

6. Retirement Plans (*continued)*

A summary of retirement expense is as follows:

	2011	2010
403(b) plan-employer match	$ 38,269	$ 40,874
Profit sharing plan	48,353	135,176
Non-qualified retirement plan	103,647	113,860
	$ 190,269	$ 289,910

7. Lease Commitments

The Foundation has a 15 year 4.5 month lease for the entire 35th floor of 521 Fifth Avenue, New York City for its office. The lease expires on July 2015.

Under the terms of the lease, remaining minimum lease payments are as follows:

2012	$ 289,644
2013	289,644
2014	289,644
2015	168,959
Total	$ 1,037,891

In lieu of a security deposit, the Foundation maintains an open letter of credit in the amount of $68,409. Rent expense was $356,006 and $348,491 for 2011 and 2010.

8. Furniture, Equipment and Leasehold Improvements

At December 31, 2011 and 2010, furniture, equipment and leasehold improvements at the Foundation were as follows:

	2011	2010
Leasehold improvements	$ 281,238	$ 281,238
Furniture and equipment	297,217	297,217
Computer hardware and software	63,603	63,603
	642,058	642,058
Less accumulated depreciation	574,326	548,365
	$ 67,732	$ 93,693

Depreciation expense for 2011 and 2010 was $25,962 and $29,527.

9. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2011 and 2010 are to be made as follows:

	2011	2010
Less than one year	$ 3,000,000	$ 2,875,000
One to four years	355,000	475,000
Total grants payable	$ 3,355,000	$ 3,350,000

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