William T. Grant Foundation, Inc.

Financial Statements

December 31, 2008

O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

The Board of Trustees
William T. Grant Foundation, Inc.

We have audited the accompanying statements of financial position of the William T. Grant Foundation, Inc. (the Foundation) as of December 31, 2008 and 2007, 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 the William T. Grant Foundation, Inc. as of December 31, 2008 and 2007, 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.

Our audits were made for the purpose of forming an opinion on the 2008 and 2007 basic financial statements taken as a whole. The supplementary information included on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the 2008 and 2007 financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
May 28, 2009

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William T. Grant Foundation, Inc.

Statements of Financial Position

December 31,

	2008	2007
ASSETS		
Cash and cash equivalents	$ 4,893,845	$ 2,976,149
Accrued investment income	39,095	52,994
Prepaid Federal excise tax	240,000	-
Investments	215,548,099	324,795,990
Prepaid expenses and other assets	95,341	62,372
	$ 220,816,380	$ 327,887,505
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 89,172	$ 131,607
Grants payable	11,772,779	12,434,908
Postretirement benefit obligation	2,184,825	1,824,246
Taxes payable:		
Federal and state taxes - current	-	105,000
Deferred Federal excise tax	-	1,570,000
Deferred rental income	288,012	31,695
Total Liabilities	14,334,788	16,097,456
Net Assets	206,481,592	311,790,049
	$ 220,816,380	$ 327,887,505

See notes to financial statements

William T. Grant Foundation, Inc.

Statements of Activities

Years Ended December 31,

	2008	2007
SUPPORT AND REVENUE		
Investment Income		
Interest and dividends	$ 7,124,311	$ 5,340,751
Less:		
Federal and state taxes	65,387	648,998
Investment expenses	730,146	859,153
Net investment income	6,328,778	3,832,600
Contributions	250,000	-
Rental income	166,407	181,010
Total Support and Revenue	6,745,185	4,013,610
EXPENSES		
Program services		
Grants authorized, net of refunded and rescinded amount of $74,021 and $11,894	11,932,050	11,039,240
Program support, planning, and development	3,643,168	3,414,874
Total Program Services	15,575,218	14,454,114
Supporting Services - Operations and Governance	1,083,348	737,167
Total Expenses	16,658,566	15,191,281
Net realized and unrealized (losses) gains on investments, net of (benefit) provision of deferred Federal excise tax	(95,170,591)	28,369,001
Change in Net Assets Before Postretirement Benefit Obligation Adjustment	(105,083,972)	17,191,330
Postretirement Benefit Obligation Adjustment	(224,485)	(72,788)
Change in Net Assets	(105,308,457)	17,118,542
NET ASSETS		
Beginning of year	311,790,049	294,671,507
End of year	$ 206,481,592	$ 311,790,049

See notes to financial statements

William T. Grant Foundation, Inc.

Statements of Cash Flows

Years Ended December 31,

		2008		2007
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets	$	(105,308,457)	$	17,118,542
Adjustments to reconcile change in net assets to net cash from operating activities				
Net realized and unrealized gains on investments		96,740,591		(28,439,001)
Deferred Federal excise tax		(1,570,000)		70,000
Postretirement Benefit Obligation Adjustment		224,485		72,788
Net changes in operating assets and liabilities				
Accrued investment income		13,899		88,067
Prepaid Federal excise tax		(240,000)		-
Federal excise tax refund receivable		-		324,501
Prepaid expenses and other assets		(32,969)		990
Accounts payable and accrued expenses		(42,435)		(34,835)
Grants payable		(662,129)		3,584,828
Postretirement benefit obligation		136,094		87,998
Federal excise tax payable - current		(105,000)		50,000
Deferred rental income		256,317		-
Net Cash from Operating Activities		(10,589,604)		(7,076,122)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of investments		105,838,974		141,982,888
Purchase of investments		(93,331,674)		(147,836,392)
Net Cash from Investing Activities		12,507,300		(5,853,504)
Net Change in Cash and Cash Equivalents		1,917,696		(12,929,626)
CASH AND CASH EQUIVALENTS				
Beginning of year		2,976,149		15,905,775
End of year	$	4,893,845	$	2,976,149
SUPPLEMENTAL CASH FLOW INFORMATION				
Cash paid for Federal and state taxes on investment income	$	408,185	$	598,998

See notes to financial statements

William T. Grant Foundation, Inc.

Notes to Financial Statements

1. Organization

William T. Grant Foundation, Inc. (the Foundation) was established by William T. Grant in 1936. The goal of the Foundation is to help create a society that values young people and enables them to reach their full potential. In pursuit of this goal, the Foundation invests in research and in people and projects that use evidence-based approaches. The primary source of revenue for the Foundation is its investment activities.

2. Summary of Significant Accounting Policies

Use of 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 the 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 the estimates.

Basis of Presentation

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. The Foundation's net assets are neither permanently nor temporarily restricted by donor imposed restrictions and are classified as 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.

Investments

The Foundation adopted Financial Accounting Standard Board Statement No. 157, *Fair Value Measurements*, ("SFAS 157") as of January 1, 2008, which, among other things, defines fair value, establishes a hierarchal framework for measuring fair value and expands disclosure about fair value measurements. SFAS 157 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. The fair value hierarchy is organized into three levels based upon the assumptions (referred to as "inputs") used in pricing the asset or liability. SFAS 157 states that "observable inputs" reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from independent sources and "unobservable inputs" reflect an entity's own assumptions about the assumptions market participants would use in pricing the asset or liability.

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

Investments (continued)

The fair value hierarchy prioritizes the inputs used in valuation techniques and creates the following three broad levels, with Level 1 being the highest priority:

Level I - Quoted prices are available in active markets for identical investments as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies.

Level III - Pricing inputs are unobservable for the investment and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

Investments in debt securities and publicly traded equities are recorded at fair value. Investments in securities traded on a national securities exchange are valued at the last reported closing price on the last business day of the year; securities traded in the over-the-counter market and listed securities for which no sales are reported on that day are valued at bid prices.

Some of the underlying investments held by the Limited Partnerships in which the Foundation has an equity interest are in privately held companies. The fair value of those investments has been estimated by the General Partners (GP) of such Limited Partnerships after consideration of current financial conditions and operating results, recent third-partymarket transactions and other pertinent information about the individual companies comprising such investments. Investments made in such Limited Partnerships are generally considered by their GP to be long-term investments and are not intended to be liquidated on a short-term basis. Accordingly, fair values determined by such GP's may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately maybe realized. The Foundation believes the carrying amount of these financial instruments is a reasonable estimate of fair value. Because Limited Partnerships are not readily marketable, their estimated value is subject to uncertainty and therefore may be materially different from the value that would have been used had a ready market for such investments existed.

Purchases and sales of investments are recorded on a trade-date basis. Realized gains and losses on the sale of investments are computed on the specific identification basis.

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

Property and Equipment

The cost of office furniture, leasehold improvements, fixtures, and equipment purchased during the course of normal business activities is charged to operations when purchased, as such purchases are not significant.

Grants

Grants are recorded when authorized by either the Board of Trustees or by officers of the Foundation within limits specified by the Board of Trustees.

Accounting for Uncertainty in Income Taxes

The Foundation's current accounting policy is to provide liabilities for uncertain tax positions when a liability is probable and estimable. Management is not aware of any violation of its tax status as an organization exempt from income taxes.

Reclassification

Certain amounts in the 2007 financial statement have been reclassified to conform to the 2008 presentation.

3. Investments

The following are major categories of investments measured at estimated fair value as of December 31:

	2008			
Description	Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	$ 70,938,048	$ -	$ 6,731,370	$ 77,669,418
Fixed Income	18,947,977	13,160,513	-	32,108,490
Alternative Investments	-	13,358,794	92,411,397	105,770,191
	$ 89,886,025	$ 26,519,307	$ 99,142,767	$ 215,548,099

William T. Grant Foundation, Inc.

Notes to Financial Statements

3. Investments (*continued*)

Description	2007 Quoted Prices in Active Markets for Indentical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Equities	167,423,423	-	8,178,713	175,602,136
Fixed Income	26,006,077	21,809,771	-	47,815,848
Alternative Investments	-	19,131,006	82,247,000	101,378,006
	$ 193,429,500	$ 40,940,777	$ 90,425,713	$ 324,795,990

The following is a reconciliation of the beginning and ending balances for assets measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31, 2008:

Beginning balance	$ 90,425,713
Purchases, issuances and settlements	23,925,109
Total losses (realized/unrealized) included in changes in net assets	(15,208,055)
Ending balance	$ 99,142,767

The amount of total losses for the year included in changes in net assets attributed to the change in unrealized losses relating to assets still held at December 31, 2008 were $15,208,055.

At December 31, 2008, the Foundation had open capital commitments with limited partnerships in the amount of $34.5 million.

4. Grants Payable

The following summarizes changes in grants payable as of December 31, 2008 and 2007:

	2008	2007
Balance at beginning of year	12,434,908	8,850,080
Addition:		
Grants authorized	12,006,071	11,051,134
Deductions:		
Payments made	12,594,179	7,454,412
Rescinded and refunded amounts	74,021	11,894
	$ 11,772,779	$ 12,434,908

Grants payable are scheduled to be disbursed as follows:

2009	$ 5,924,852
2010	4,371,007
2011	1,086,893
2012	390,027
	$ 11,772,779

5. Lease Commitment

The Foundation has a lease agreement for office space which expires on September 30, 2018. The lease contains escalation clauses that provide for increased payments resulting from increases in real estate taxes and certain other building expenses in excess of the base period amounts. Future minimum rental payments under this lease are as follows:

2009	$ 976,905
2010	994,001
2011	1,011,396
2012	1,029,095
2013	1,064,474
Thereafter	5,570,038
	$ 10,645,909

5. Lease Commitment *(continued)*

In December 2002, the Foundation entered into an agreement to sublease a portion of its space to a third party expiring in January 2008. During 2007, the Foundation extended this sublease to expire on June 29, 2008, which was again extended on a month by month basis and finally terminated September 2008. Rental income for 2008 and 2007 was $166,407 and $181,010.

6. Retirement Benefits

Retirement benefits under a defined contribution plan are provided through the Teacher's Insurance and Annuity Association to all permanent employees who have completed three months of continuous service. Contributions are charged to expense when made. Contributions 2008 and 2007 were $214,205 and $196,247.

7. Postretirement Healthcare Benefits

In addition to the above retirement plan, the Foundation sponsors an unfunded plan to provide certain health care benefits for retirees of the Foundation. The Foundation funds its postretirement benefits costs on a pay as you go basis.

Effective December 31, 2007, the Foundation adopted the recognition provisions of Financial Accounting Standard's Board ("FASB") Statement No. 158 which require the Foundation to recognize the funded status of the Foundation's defined benefit plan as a liability in the December 31, 2007 statement of financial position with the corresponding adjustment to change in net assets in the statement of activities. The adjustment to change in net assets represents the balance of unrecognized actuarial gains that will be subsequently recognized within net periodic cost in the future. Measurements used to determine the postretirement benefit obligation for the years ended 2008 and 2007 were computed as of December 31.

The incremental effects of adopting the provisions of Statement 158 on the Foundation's financial position at December 31, 2007 and the change in net assets for the year then ended are presented in the following table.

	Prior to Adopting Statement 158	Effect of Adopting Statement 158	As Reported
Accrued postretirement health and other benefits	$ 1,751,458	$ 72,788	$ 1,824,246
Non operating item change in net assets	-	(72,788)	(72,788)

7. Postretirement Healthcare Benefits *(continued)*

Information as of and for the years ended December 31 for the plan is as follows:

	2008	2007
Benefit Obligation (Funded Status) at End of Year	$ 2,184,825	$ 1,824,246
Net postretirment benefit costs	230,490	176,699
Unrecognized actuarial loss	224,485	72,788
Benefits paid	94,396	88,701
Discount rate used	5.98%	6.00%

For measurement purposes, an 10% annual rate of increase in per capita cost of covered health benefits was assumed for 2007, decreasing to 5% in 2016 and thereafter.

Net benefits expected to be paid in each of the next five years and the following five years in the aggregate are as follows:

2009	$ 98,353
2010	109,391
2011	118,760
2012	131,180
2013	136,868
5 years thereafter	739,839

8. Federal Excise Taxes

The Foundation is nonprofit organization exempt from Federal income taxes under the provisions of Section 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.

Deferred taxes principally arise from differences between the cost and fair value of investments.

9. Risks and Uncertainties

The credit and liquidity crisis in the United States continues to have substantial volatility in the global financial markets. Consequently, the values of the Foundation's individual investments have and will fluctuate in response to changing market conditions. The amount of losses, if any, that will be recognized in subsequent periods, cannot be determined.

William T. Grant Foundation, Inc.

Supplemental Information

December 31, 2008

William T. Grant Foundation, Inc.

Schedules of Functional Expenses

Years Ended December 31,

	2008				2007			
	Program Services	Operations and Governance	Investment	Total	Program Services	Operations and Governance	Investment	Total
Grants Authorized, net	$ 11,932,050	$ -	$ -	$ 11,932,050	$ 11,039,240	$ -	$ -	$ 11,039,240
ALLOCATED EXPENSES								
Salaries and wages	1,343,594	486,809	116,834	1,947,237	1,374,068	348,098	109,925	1,832,091
Payroll taxes and employee benefits	568,486	205,974	49,434	823,894	547,043	138,585	43,763	729,391
Occupancy	587,505	212,864	51,087	851,456	426,065	107,937	34,085	568,087
Furniture and maintenance	14,632	5,301	1,272	21,205	21,737	5,507	1,739	28,983
Office expenses	39,501	14,312	3,435	57,248	40,088	10,155	3,207	53,450
General expenses	61,431	22,258	5,342	89,031	71,976	18,234	5,758	95,968
Staff travel and expense	79,991	28,983	6,956	115,930	86,603	21,939	6,928	115,470
Telecommunications	25,894	9,382	2,252	37,528	27,383	6,936	2,191	36,510
Computer purchases and maintenance	116,086	42,061	10,095	168,242	168,971	42,806	13,518	225,295
Professional fees	53,122	19,247	4,619	76,988	45,465	11,518	3,637	60,620
Insurance	33,885	12,278	2,947	49,110	37,468	9,492	2,997	49,957
Trustee and committee expenses	65,905	23,879	5,731	95,515	63,002	15,960	5,040	84,002
Total Allocated expenses	2,990,032	1,083,348	260,004	4,333,384	2,909,869	737,167	232,788	3,879,824
DIRECT PROGRAM EXPENSES								
Publications	44,895	-	-	44,895	40,418	-	-	40,418
Advisory expenses	608,241	-	-	608,241	464,587	-	-	464,587
Total Direct Program Expenses	653,136	-	-	653,136	505,005	-	-	505,005
DIRECT INVESTMENT EXPENSE								
Manager fees	-	-	360,818	360,818	-	-	500,793	500,793
Custody fees	-	-	102,628	102,628	-	-	121,555	121,555
Consulting expenses	-	-	6,696	6,696	-	-	4,017	4,017
Total Direct Investment Expenses	-	-	470,142	470,142	-	-	626,365	626,365
Total	$ 15,575,218	$ 1,083,348	$ 730,146	$ 17,388,712	$ 14,454,114	$ 737,167	$ 859,153	$ 16,050,434
% of total expenses	90%	6%	4%		90%	5%	5%	

See independent auditors' report