

NOYCE
FOUNDATION

Financial Statements
December 31, 2009 and 2008

Together with
Independent Auditors' Report

THE NOYCE FOUNDATION

TABLE OF CONTENTS

December 31, 2009

	PAGE
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 17



INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
The Noyce Foundation

We have audited the accompanying statement of financial position of The Noyce Foundation (the "Foundation", a California nonprofit private foundation) as of December 31, 2009, and the related statements of activities and changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the management of the Foundation. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year financial statements were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated July 22, 2009.

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 misstatements. 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. An audit also includes assessing the accounting principles used and 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 2009 financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2009, the results of its activities and changes in net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads 'Robert Lee & Associates, LLP'. The signature is written in a cursive, flowing style.

San Jose, California

June 30, 2010

THE NOYCE FOUNDATION

Statement of Financial Position

ASSETS

	December 31,	
	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 8,778,843	\$ 5,098,537
Accrued interest receivable	66,012	111,827
Tax refund receivable	160,763	-
Accounts receivable	16,732	17,341
Investments	135,310,256	127,365,957
Prepaid federal excise tax	151,231	259,234
Property and equipment, net	12,916	24,108
Other assets	10,559	11,754
	<u> </u>	<u> </u>
Total assets	\$ <u>144,507,312</u>	\$ <u>132,888,758</u>

LIABILITIES AND NET ASSETS

Accounts payable	\$ 60,107	\$ 87,244
Grants payable	3,269,246	2,201,507
Accrued liabilities	98,345	138,803
	<u> </u>	<u> </u>
Total liabilities	3,427,698	2,427,554
Commitments		
Net assets, unrestricted	<u>141,079,614</u>	<u>130,461,204</u>
	<u> </u>	<u> </u>
Total liabilities and net assets	\$ <u>144,507,312</u>	\$ <u>132,888,758</u>

The accompanying notes are an integral part of these financial statements

THE NOYCE FOUNDATION
Statement of Activities and Changes in Net Assets

	Year Ended December 31,	
	2009	2008
Revenue:		
Interest	\$ 688,167	\$ 387,635
Dividends	646,893	1,339,381
Realized losses	(103,966)	(2,063,541)
Unrealized gains and (losses)	21,181,303	(35,788,906)
Investment related expenses	(507,230)	(670,523)
Passthrough ordinary business losses	(138,516)	(22,362)
Other income	22,026	26,589
	21,788,677	(36,791,727)
Total revenue		
Expenses:		
Program services - grants awarded	9,232,715	8,529,636
Program services - other	1,383,390	1,497,441
	10,616,105	10,027,077
Total program services expenses		
Management and general	554,162	431,184
	11,170,267	10,458,261
Total expenses		
Change in unrestricted net assets	10,618,410	(47,249,988)
Net assets, unrestricted, beginning of year	130,461,204	177,711,192
Net assets, unrestricted, end of year	\$ 141,079,614	\$ 130,461,204

The accompanying notes are an integral part of these financial statements

THE NOYCE FOUNDATION

Statement of Cash Flows

	Year Ended December 31,	
	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Change in unrestricted net assets	\$ 10,618,410	\$ (47,249,988)
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities:		
Net realized losses	103,966	2,063,541
Net unrealized (gains) and losses	(21,181,303)	35,788,906
Depreciation expense	6,880	8,812
Deferred federal excise tax	-	(1,149,389)
Loss on disposal of property and equipment	4,312	-
Changes in operating assets and liabilities:		
Accrued interest receivable	45,815	126,696
Tax refund receivable	(160,763)	-
Accounts receivable	609	55
Prepaid federal excise tax	108,003	(190,746)
Unrelated business income taxes receivable	-	59,921
Other assets	1,195	(1,395)
Accounts payable	(27,137)	31,648
Grants payable	1,067,739	1,792,529
Accrued liabilities	(40,458)	17,636
Unrelated business income taxes payable	-	(28,612)
Net cash used by operating activities	<u>(9,452,732)</u>	<u>(8,730,386)</u>
Cash flows from investing activities:		
Acquisition of investments	(34,867,801)	(94,968,572)
Proceeds from sales of investments	48,000,839	103,983,225
Acquisition of property and equipment	-	(9,248)
Net cash provided by investing activities	<u>13,133,038</u>	<u>9,005,405</u>
Increase in cash and cash equivalents	3,680,306	275,019
Cash and cash equivalents, beginning of year	<u>5,098,537</u>	<u>4,823,518</u>
Cash and cash equivalents, end of year	<u>\$ 8,778,843</u>	<u>\$ 5,098,537</u>

The accompanying notes are an integral part of these financial statements

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 1 - Organization and operations:

The Noyce Foundation (the "Foundation") is a private, nonprofit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and from California franchise taxes under Revenue and Taxation Code Section 23701(d). The Foundation was created by the Noyce family in 1990 to honor the memory and legacy of Dr. Robert N. Noyce, inventor of the integrated circuit which fueled the personal computer revolution and gave Silicon Valley its name.

The Noyce Foundation aims to help young people become curious, thoughtful, and engaged learners. The Noyce Foundation focuses on a few key areas: improving the teaching of math, science and literacy in public schools, developing leadership to support student achievement, education policy and research, and finally, on expanding opportunities for students to experience hands-on science in out-of-school settings.

In addition to the Foundation's continual push to improve teaching and learning in the content areas of science, math, and literacy, the Foundation works in the education policy arena to support its other work. Along with addressing a wide variety of other issues, the Foundation strives to provide policymakers with compelling research-based evidence about the link between professional development and student achievement in order to influence decisions regarding investments in professional development and education. Resources for the Foundation's activities are provided by investment income and the accumulated unrestricted net assets. The Foundation does not accept any contributions including in-kind contributions from outside parties.

In everything the Foundation undertakes, it is committed to promoting the qualities that Dr. Robert N. Noyce embodied: optimism, creativity, risk taking, and determination. A brief description of some of the programs includes:

Strengthening Instruction in High-Leverage Content Areas - The Noyce Foundation focuses on strengthening classroom practice as a means to improving student learning. The Foundation works specifically on improving instruction in the areas of mathematics, science and literacy - the content areas that have the greatest potential for impacting a child's future. The Foundation's content area programs are systemic in their reach; in addition to working with teachers, the Foundation targets leadership throughout the educational system to effect change and support teachers. The Foundation's goals are:

- Mathematics: to develop conceptual understanding and high levels of mathematical skills, in all students, kindergarten through algebra ;
- Science: to develop conceptual understanding, curiosity and scientific literacy, in all students, sixth grade through twelfth grade;
- Literacy: to develop competent, creative readers and writers, in all students, kindergarten through sixth grade.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 1 - Organization and operations (continued):

Strengthening Instruction in High-Leverage Content Areas (continued) - The Foundation's goal is to raise the quality and quantity of teachers and administrative leaders in order to improve student achievement.

Policy - As a natural outgrowth of the Foundation's focus on student achievement and systemic improvement of teacher practice, The Noyce Foundation has developed an active interest in impacting the policy arena. The Foundation's work in policy aligns closely with its values and allows the Foundation to act quickly when a salient opportunity arises. The Foundation's goal is to forge a centrist and activist voice on a small number of policy issues that directly impact the Foundation's other goals.

Note 2 - Summary of significant accounting policies:

Basis of accounting - The financial statements have been prepared on the accrual basis of accounting which recognizes revenue when earned and expenses when incurred and accordingly, reflect all significant receivables, payables, accruals and other liabilities.

Basis of presentation - In accordance with Generally Accepted Accounting Principles ("GAAP"), the Foundation presents information regarding its financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets. As of December 31, 2009 and 2008, all of the Foundation's net assets were unrestricted. Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and cash equivalents - Cash and cash equivalents consist of cash and money market funds. The Foundation considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents. The carrying amount in the Statements of Financial Position approximates fair value.

Accrued interest receivable - Accrued interest receivable includes interest receivable from bonds and other dividend and interest earnings outstanding at year-end.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 2 - Summary of significant accounting policies (continued):

Investments - The Foundation's investments are valued in accordance with GAAP, including Fair Value Measurements. The Foundation may have risk associated with its concentration of investments in one geographic region and in certain industries.

Publicly traded - The Foundation invests in marketable securities and money market funds. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Foundation's fiscal year. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income are accrued when earned.

Private equity funds and hedge funds - To the extent that these funds invest in publicly traded investments, these are included at quoted market prices as described above. The remaining investments are carried at estimated fair values as determined by the investment manager of these securities after giving consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. These investments are valued at the Foundation's percentage interest owned in these investment companies. Because of the inherent uncertainty of valuations, however, these estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. The Foundation may also have risks associated with its concentration of investments in certain geographic areas and certain industries.

Property and equipment - Property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$500 are capitalized. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from five to seven years.

Other assets - Other assets include prepaid expenses and a security deposit.

Accounts payable - Accounts payable include the Foundation's trade accounts payable and other liabilities incurred in the normal course of operations.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 2 - Summary of significant accounting policies (continued):

Grants payable - Grants are made in accordance with the Foundation's mission. Unconditional grants that are expected to be paid after one year are evaluated at a discount rate as determined by the federal interest free rate valid for the year the grant was pledged and are stated at their net present value. Such present value reserves are recorded only if material to the financial statements. As of December 31, 2009 the Foundation had one unconditional multi-year grant. The present value reserve was not material to the financial statements and therefore not recorded. As of December 31, 2008, the Foundation did not have any unconditional multi-year grants.

Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. As of December 31, 2009 the Foundation had one conditional grant with a maximum grant award amount of \$500,000. There were no conditional grants at December 31, 2008.

Accrued liabilities - Accrued liabilities primarily include the Foundation's employee related liabilities such as accrued pension, payroll, and paid time off.

Revenue recognition - The Foundation's revenue recognition policy is in accordance with GAAP. Since the Foundation does not accept contributions, the only revenue source is from investments which are recognized when earned.

Functional expense allocations - The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, based on estimates of time and other factors, among the classifications.

Fair value of financial instruments - Financial instruments included in the Foundation's Statement of Financial Position as of December 31, 2009 and 2008 include cash and cash equivalents, investments, receivables, accounts payable, accrued liabilities and grants payable. For cash and cash equivalents, receivables, accounts payable, and accrued liabilities the carrying amount approximates fair value due to their short maturities. Investments and grants payable are reflected in the accompanying Statement of Financial Position at their estimated fair values using methodologies described above.

Concentration of credit risk - Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents, receivables, and investments. The Foundation maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. These accounts are insured up to \$250,000 per depositor by an agency of the federal government. At times, such amounts might exceed Federal Deposit Insurance Corporation ("FDIC") limits. The Foundation monitors these investments and has not experienced significant credit losses. It is the Foundation's opinion that it is not exposed to any significant credit risks.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 2 - Summary of significant accounting policies (continued):

Accounting for Uncertainty in Income Taxes - The Foundation evaluates its uncertain tax positions and will recognize a loss contingency when it is probable that a liability has been incurred as of the date of the financial statements and the amount of the loss can be reasonably estimated. The amount recognized is subject to estimate and management judgment with respect to the likely outcome of each uncertain tax position. The amount that is ultimately sustained for an individual uncertain tax position or for all uncertain tax positions in the aggregate could differ from the amount recognized. As of December 31, 2009 and 2008 management did not identify any uncertain tax positions.

The Foundation is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examination for the U.S. federal jurisdiction is 2006 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years 2005 and forward.

Reclassification - Certain 2008 balances have been reclassified to conform to the 2009 financial statement presentation. These reclassifications have no effect on previously reported change in unrestricted net assets.

Subsequent events - Subsequent events are evaluated through the date the financial statements were available to be issued. The Foundation has determined that no material subsequent events require an estimate to be recorded as of December 31, 2009. The Foundation has disclosed a subsequent event in note eight.

Recent accounting pronouncements - In September 2009, the FASB issued FASB Accounting Standards Update No. 2009-12, Investment in Certain Entities that Calculate Net Asset Value per Share (ASU 2009-12). ASU 2009-12 (formerly FAS 157) amends FASB Statement No. 157, Fair Value Measurements, adds disclosures and provides guidance for estimating the fair value of investments in investment companies that calculate net asset value per share, allowing the Net Asset Value per Share (NAV) to be used as a practical expedient for fair value where investment companies follow the American Institute of Certified Public Accounts (AICPA) Guide in arriving at their reported NAV. The Foundation adopted ASU 2009-12 effective January 1, 2009.

In January 2010, the FASB issued ASU No.2010-06, Improving Disclosure about Fair Value Measurements. This amends ASC 820 (formerly FAS 157) to require additional disclosures. The guidance requires entities to disclose transfer of assets in and out of Levels 1 and 2 of the fair value hierarchy, and the reasons for those transfers. ASU 2010-06 is effective January 2010. In addition, the guidance requires separate presentation of purchase and sales in the Level 3 asset reconciliation; this is effective January 2011. The adoption of this guidance is not expected to have a material impact on the Foundation's financial statements.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 3 - Investments:

The Foundation follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB Accounting Standards Codification. These standards establish a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The Foundation uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Foundation measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

The Foundation's investments consisted of the following:

	December 31,	
	2009	2008
Quoted market: Equity securities	\$ 48,624,651	\$ 41,142,736
Alternative investments:		
Hedge funds	34,803,849	37,450,061
Multi-strategy hedge funds	27,974,727	30,643,902
Domestic equity	9,626,521	7,730,103
International equity	8,399,855	5,650,728
Private equity	5,880,653	4,748,427
Total alternative investments	86,685,605	86,223,221
Total investments	\$ 135,310,256	\$ 127,365,957

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 3 - Investments (continued):

An investment's classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. 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 investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation's perceived risk of that investment. The following are major categories of investments measured at fair value on a recurring basis:

- Level 1: Quoted prices in active markets for identical assets
- Level 2: Significant other observable inputs
- Level 3: Significant unobservable inputs

	Year Ended December 31, 2009			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 48,624,651	\$ -	\$ -	\$ 48,624,651
Hedge funds	-	-	34,803,849	34,803,849
Multi-strategy hedge funds	-	-	27,974,727	27,974,727
Domestic equity	-	8,419,594	1,206,927	9,626,521
International equity	-	8,399,855	-	8,399,855
Private equity	-	-	5,880,653	5,880,653
Total	\$ 48,624,651	\$ 16,819,449	\$ 69,866,156	\$ 135,310,256

	Year Ended December 31, 2008			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 41,142,736	\$ -	\$ -	\$ 41,142,736
Hedge funds	-	-	37,450,057	37,450,057
Multi-strategy hedge funds	-	-	30,643,902	30,643,902
Domestic equity	-	6,558,675	1,171,428	7,730,103
International equity	-	5,650,728	-	5,650,728
Private equity	-	-	4,748,431	4,748,431
Total	\$ 41,142,736	\$ 12,209,403	\$ 74,013,818	\$ 127,365,957

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 3 - Investments (continued):

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3):

	<u>Year Ended December 31, 2009</u>				
	<u>Hedge funds</u>	<u>Multi-strategy hedge funds</u>	<u>Domestic equity</u>	<u>Private equity</u>	<u>Total</u>
Beginning balance	\$ 37,450,057	\$ 30,643,902	\$ 1,171,428	\$ 4,748,431	\$ 74,013,818
Total gains or losses (realized or unrealized)	3,684,651	4,944,549	4,953	1,132,222	9,766,375
Net purchases, issuances and settlements	(6,330,859)	(7,613,724)	(49,432)	-	(13,994,015)
Transfers in and/or out of Level 3	-	-	79,978	-	79,978
Ending balance	<u>\$ 34,803,849</u>	<u>\$ 27,974,727</u>	<u>\$ 1,206,927</u>	<u>\$ 5,880,653</u>	<u>\$ 69,866,156</u>

	<u>Year Ended December 31, 2008</u>				
	<u>Hedge funds</u>	<u>Multi-strategy hedge funds</u>	<u>Domestic equity</u>	<u>Private equity</u>	<u>Total</u>
Beginning balance	\$ 47,251,540	\$ 33,708,803	\$ 1,131,770	\$ 5,131,625	\$ 87,223,738
Total gains or losses (realized or unrealized)	(9,801,483)	(3,064,901)	85,961	(2,917,596)	(15,698,019)
Net purchases, issuances and settlements	-	-	(46,303)	2,534,402	2,488,099
Transfers in and/or out of Level 3	-	-	-	-	-
Ending balance	<u>\$ 37,450,057</u>	<u>\$ 30,643,902</u>	<u>\$ 1,171,428</u>	<u>\$ 4,748,431</u>	<u>\$ 74,013,818</u>

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 3 - Investments (continued):

The Foundation uses the Net Asset Value (NAV) to determine the fair value of all the underlying investments which do not have a readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following table lists investments in other investment companies by major category:

	Year Ended December 31, 2009			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Hedge funds ^(a)	\$ 34,803,849	\$ -	Quarterly and annually	30 to 90 days
Multi-strategy hedge funds ^(b)	27,974,727	-	Quarterly	45 to 60 days
Domestic equity ^(c)	9,626,521	-	Semi-annual	30 days
International equity ^(d)	8,399,855	-	Monthly	30 days
Private equity ^(e)	5,880,653	-	N/A	N/A
	<u>\$ 86,685,605</u>	<u>\$ -</u>		

^(a) This category includes investments in hedge funds that invest both long and short primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stakes, and from a net long position to a net short position. The investments dominate exposure in the U.S. market, but will also take advantage of investment opportunities in Europe, Asia and Emerging Markets. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2009, all of the investments in this category have passed their initial lock up periods. Some of the investments in this category include less liquid assets which may be restricted from immediate redemption until the asset is realized.

^(b) This category includes a multi-strategy absolute return investments focused on analyzing the probability-adjusted returns of individual securities and assets and capturing the alpha in mis-priced assets/securities across conventional and alternative financial strategies. Management initiates long and short positions targeting solid absolute risk-adjusted returns. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. As of December 31, 2009, all of the investments in this category have passed their initial lock up periods. Some of the investments in this category include less liquid assets which may be restricted from immediate redemption until the asset is realized.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 3 - Investments (continued):

- (c) This category includes investments in funds that focus on long-only domestic equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of December 31, 2009, all of the investments in the category can be redeemed with no restrictions.
- (d) This category includes investments in funds that focus on long-only international equities. The underlying assets are liquid and the fund's managers provide details of those assets. As of December 31, 2009, all of the investments in the category can be redeemed with no restrictions.
- (e) This category includes private equity funds that focus on buyout, growth equity and/or distressed debt. These investments are not redeemable. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets in the fund. The term for these investments range from 5 to 10 years. As of December 31, 2009, the fair values of the investments in this category have been estimated using the practical expedient provided by the investment manager.

Note 4 - Property and equipment:

Property and equipment consisted of the following at December 31:

	<u>2009</u>		<u>2008</u>
Equipment and computers	\$ 49,361	\$	113,173
Furniture and fixtures	<u>27,953</u>		<u>39,207</u>
	77,314		152,380
Less: accumulated depreciation	<u>(64,398)</u>		<u>(128,272)</u>
Property and equipment, net	<u>\$ 12,916</u>	\$	<u>24,108</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was approximately \$7,000 and \$9,000, respectively.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 5 - Significant concentrations:

Grantees, who comprised of 10% or more of the Foundation's grant awards, are as follows for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Grantee A	33%	Less than 10%
Grantee B	22%	Less than 10%
Grantee C	12%	Less than 10%
Grantee D	12%	Less than 10%

Note 6 - Tax-deferred retirement plan:

The Foundation sponsors a 401(k) plan for Foundation employees. Under the provisions of the plan, participating employees may make voluntary contributions through salary deductions up to the maximum amount allowed by law. In addition, the Foundation makes a 3% Safe Harbor contribution and may make an employer elective contribution as determined by the Trustees.

The percentage amount of the employer elective contribution can be changed at their discretion. For the year ended December 31, 2009 the Foundation contributed an amount equal to 8% (3% Safe Harbor contribution and 5% employer elective contribution) of the employee's gross salary excluding bonuses to the plan. For the year ended December 31, 2008 the Foundation contributed an amount equal to 10% (3% Safe Harbor contribution and 7% employer elective contribution) of the employee's gross salary excluding bonuses to the plan. Foundation contributions and expenses for the years ended December 31, 2009 and 2008 related to the plan totaled approximately \$48,000 and \$72,000, respectively.

Note 7 - Federal excise taxes and distribution requirements:

Federal Excise Taxes - The Foundation is liable for an annual excise tax of 2% (1% if minimum distribution requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding unrealized gains, as defined. The Foundation was subject to the 1% rate for the years ending December 31, 2009 and 2008. Additionally, the Foundation had no unrelated business income taxes assessed through its pass-through entities for the years ending December 31, 2009 and 2008.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 7 - Federal excise taxes and distribution requirements (continued):

Distribution Requirement - In order to qualify for the 1% excise tax rate, the Foundation must satisfy the requirements set forth in Section 4940(a) of the Internal Revenue Code. Furthermore, the Foundation must distribute within one year after the end of each fiscal year 5% of the fair value of its investment assets, as defined. The investments that are considered in the calculation of the 5% distribution requirement are based on average monthly balances and are exclusive of the investments deemed to be held for charitable activities and program-related investments. Qualifying distributions are considered on a cash basis and include grant payments and certain other charitable purpose expenses. The Foundation has complied with the distribution requirements through December 31, 2009 and 2008.

Note 8 - Commitments:

The Foundation rents 4,089 square feet of office space at the base rate of \$8,178 per month under a noncancelable operating lease commencing on September 1, 2004 and ending on February 10, 2012. On January 1, 2006 and on each anniversary thereafter, the monthly rent due under this lease shall increase by 3% per year.

During 2009, the Foundation sublet a portion of their office space under a noncancelable operating lease commencing on May 1, 2009 and ending on April 30, 2010. Rental income received during 2009 was approximately \$38,000 and was recorded as a reduction to the Foundation's rent expense for the year ending December 31, 2009. Future minimum rentals to be received in 2010 was approximately \$17,000

Subsequent to year end, the Foundation sublet the above office space portion to another party under a noncancelable operating lease commencing on May 1, 2010 and ending on January 19, 2012. Future minimum rentals to be received in 2010, 2011 and 2012 are approximately \$32,000, \$48,000, and \$2,000, respectively.

On October 31, 2009 the Foundation terminated one of their office leases. The termination was one year prior to the lease expiration date agreed upon in the non-cancelable operating lease agreement. Upon termination, the Foundation was released from any future liabilities by the lessor.

THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2009

Note 8 – Commitments (continued):

Rental expense for the years ended December 31, 2009 and 2008 was approximately \$78,000 and \$134,000, respectively.

Future minimum lease payments payable under the Foundation’s non-cancelable lease is approximately as follow:

<u>Year Ending December 31,</u>	<u>Amount</u>
2010	114,000
2011	117,000
2012	<u>13,000</u>
Total	<u>\$ 244,000</u>

Note 9 - Related party transactions:

The Foundation makes unconditional grants to organizations, where members of the Foundation’s Board of Trustees are also board members of the grantee organizations. The grants expense for related organizations for the years ended December 31, 2009 and 2008, was approximately \$370,000 and \$1,556,000, respectively. Grants payable for related organizations for the year ended December 31, 2008, was approximately \$380,000. The Foundation had no grants payable for related organizations for the year ended December 31, 2009. The Foundation’s related party Board members recused themselves from the Board’s discussion and vote on such grants.