

NOYCE  
FOUNDATION

**Financial Statements**  
**December 31, 2010 and 2009**

**Together with**  
**Independent Auditors' Report**

# **THE NOYCE FOUNDATION**

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**December 31, 2010**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of  
The Noyce Foundation  
Palo Alto, California

We have audited the accompanying statements of financial position of The Noyce Foundation (the "Foundation", a California nonprofit private foundation) as of December 31, 2010 and 2009, and the related statements of activities and changes in net assets and cash flows for the years 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 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 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 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 Foundation as of December 31, 2010 and 2009, the results of its activities and changes in net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Robert Lee & Associates, LLP*

San Jose, California  
August 29, 2011

**THE NOYCE FOUNDATION**  
**Statement of Financial Position**

	December 31,	
	2010	2009
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 2,920,220	\$ 8,778,843
Accrued interest receivable	-	66,012
Excise tax refund receivable	93,511	160,763
Accounts receivable	338,056	16,732
Investments	140,270,766	135,310,256
Prepaid unrelated business income and state taxes	73,512	151,231
Property and equipment, net	21,015	12,916
Other assets	10,559	10,559
 Total assets	 \$ 143,727,639	 \$ 144,507,312
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable	\$ 44,083	\$ 60,107
Grants payable	5,107,570	3,269,246
Accrued liabilities	94,426	98,345
Deferred federal excise tax	500,000	-
 Total liabilities	 5,746,079	 3,427,698
 Commitments		
 Net assets, unrestricted	 137,981,560	 141,079,614
 Total liabilities and net assets	 \$ 143,727,639	 \$ 144,507,312

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,	
	2010	2009
Revenue:		
Interest	\$ 653,535	\$ 688,167
Dividends	644,300	646,893
Realized gains and (losses)	3,914,601	(103,966)
Unrealized gains	11,216,767	21,181,303
Investment related expenses	(603,676)	(507,230)
Passthrough ordinary business losses	(9,239)	(138,516)
Other income	19,230	22,026
	15,835,518	21,788,677
Total revenue		
Expenses:		
Program services - grants awarded	17,095,968	9,232,715
Program services - other	693,995	1,383,390
	17,789,963	10,616,105
Total program services expenses		
Management and general	1,143,609	554,162
	18,933,572	11,170,267
Total expenses		
Change in unrestricted net assets	(3,098,054)	10,618,410
Net assets, unrestricted, beginning of year	141,079,614	130,461,204
Net assets, unrestricted, end of year	\$ 137,981,560	\$ 141,079,614

The accompanying notes are an integral part of these financial statements

## THE NOYCE FOUNDATION

### Statement of Cash Flows Increase (decrease) in Cash and Cash Equivalents

	Year Ended December 31,	
	2010	2009
Cash flows from operating activities:		
Change in unrestricted net assets	\$ (3,098,054)	\$ 10,618,410
Adjustments to reconcile change in unrestricted net assets to net cash used by operating activities:		
Net realized (gains) and losses	(3,914,601)	103,966
Net unrealized gains	(11,216,767)	(21,181,303)
Depreciation expense	5,031	6,880
Loss on disposal of property and equipment	-	4,312
Increase (decrease) in operating assets and liabilities:		
Accrued interest receivable	66,012	45,815
Excise tax refund receivable	67,252	(160,763)
Accounts receivable	(321,324)	609
Prepaid federal excise tax	-	108,003
Prepaid unrelated business income and state taxes	77,719	-
Other assets	-	1,195
Accounts payable	(16,024)	(27,137)
Grants payable	1,838,324	1,067,739
Accrued liabilities	(3,919)	(40,458)
Deferred federal excise tax	500,000	-
Net cash used by operating activities	<u>(16,016,351)</u>	<u>(9,452,732)</u>
Cash flows from investing activities:		
Acquisition of investments	(34,813,064)	(34,867,801)
Proceeds from sales of investments	44,983,922	48,000,839
Acquisition of property and equipment	(13,130)	-
Net cash provided by investing activities	<u>10,157,728</u>	<u>13,133,038</u>
Increase (decrease) in cash and cash equivalents	(5,858,623)	3,680,306
Cash and cash equivalents, beginning of year	<u>8,778,843</u>	<u>5,098,537</u>
Cash and cash equivalents, end of year	<u>\$ 2,920,220</u>	<u>\$ 8,778,843</u>

#### Supplemental disclosure of cash flow information

Cash paid during the year for:		
Federal excise taxes	\$ 60,000	\$ -

The accompanying notes are an integral part of these financial statements

# **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

## **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 Foundation focuses on a few key areas: expanding opportunities for students to experience hands-on science in out-of-school settings; supporting human capital efforts to develop effective teachers and principal leaders; and investing in models and policy for improving the teaching of math, science, and literacy.

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, 2010

## **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, 2010 and 2009, 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.

# **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

## **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 the differences between the investment's cost basis and the sale or maturity settlement of the investment. Dividend and interest income are accrued when earned. The Foundation may have risk associated with its concentration of investments in one geographic region and in certain industries.

*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, equipment and depreciation - 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, 2010

## **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, 2010 and 2009 the Foundation had one unconditional multi-year grant. The present value reserve was not material to the financial statements and therefore not recorded.

Conditional grants are expensed and considered payable in the period the conditions are substantially satisfied. As of December 31, 2010, the Foundation had two conditional grants with a maximum grant award amount of \$910,000. As of December 31, 2009, the Foundation had one conditional grant with a maximum grant award amount of \$500,000.

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, 2010 and 2009 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, 2010

## **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, 2010 and 2009 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 2007 and forward. The State of California tax jurisdiction is subject to potential examination for fiscal tax years 2006 and forward.

Subsequent events - Subsequent events are evaluated through August 29, 2011, which is the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosure as of December 31, 2010.

Recent accounting pronouncements - In May 2011, the Financial Accounting Standards Board ("FASB") issued FASB Accounting Standards Update ("ASU") No. 2011-04 "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." The update amends FASB Accounting Standards Codification ("ASC") Topic 820, "Fair Value Measurements." This new standard results in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. The amendments change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and disclosing information about fair value measurements. The amendments also clarify FASB's intent about the application of existing fair value measurement requirements. The amendments in this update should be applied retrospectively to all prior periods presented, effective for fiscal years ending after December 15, 2011.

The above pronouncement issued by FASB does not require adoption until a future date and is not expected to have a material impact on the Foundation's financial statements upon adoption.

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

### **Note 3 - Investments:**

The Foundation follows the provisions of the Fair Value Measurements and Disclosure topic of the FASB. 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,	
	<u>2010</u>	<u>2009</u>
Quoted market: equity securities	\$ 42,036,881	\$ 48,624,651
Alternative investments:		
Hedge funds	33,930,859	34,803,849
Multi-strategy hedge funds	35,680,151	27,974,727
Domestic equity	11,320,569	9,626,521
International equity	9,878,700	8,399,855
Private equity	<u>7,423,606</u>	<u>5,880,653</u>
Total alternative investments	<u>98,233,885</u>	<u>86,685,605</u>
Total investments	<u>\$ 140,270,766</u>	<u>\$ 135,310,256</u>

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

### **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, 2010			
	Level 1	Level 2	Level 3	Total
Equity securities	\$ 42,036,881	\$ -	\$ -	\$ 42,036,881
Hedge funds	-	33,930,859	-	33,930,859
Multi-strategy hedge funds	-	16,995,434	18,684,717	35,680,151
Domestic equity	-	10,149,721	1,170,848	11,320,569
International equity	-	9,878,700	-	9,878,700
Private equity	-	-	7,423,606	7,423,606
Total investments	<u>\$ 42,036,881</u>	<u>\$ 70,954,714</u>	<u>\$ 27,279,171</u>	<u>\$ 140,270,766</u>

	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 investments	<u>\$ 48,624,651</u>	<u>\$ 16,819,449</u>	<u>\$ 69,866,156</u>	<u>\$ 135,310,256</u>

## THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2010

### 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 other observable inputs (Level 2):

	<u>Year Ended December 31, 2010</u>				
	<u>Hedge</u>	<u>Multi-</u>	<u>Domestic</u>	<u>Private</u>	<u>Total</u>
	<u>funds</u>	<u>strategy</u>	<u>equity</u>	<u>equity</u>	<u>Total</u>
	<u>          </u>	<u>hedge</u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>funds</u>	<u>          </u>	<u>          </u>	<u>          </u>
Beginning balance \$	-	-	\$ 8,419,594	\$ 8,399,855	\$ 16,819,449
Total gains/losses (realized/unrealized)	2,081,016	1,211,593	1,730,127	1,478,845	6,501,581
Net purchases, issuances and settlements	4,065,357	5,000,000	-	-	9,065,357
Transfers in (out) of Level 2	<u>27,784,486</u>	<u>10,783,841</u>	<u>-</u>	<u>-</u>	<u>38,568,327</u>
Ending balance	<u>\$ 33,930,859</u>	<u>\$ 16,995,434</u>	<u>\$ 10,149,721</u>	<u>\$ 9,878,700</u>	<u>\$ 70,954,714</u>

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, 2010</u>				
	<u>Hedge</u>	<u>Multi-</u>	<u>Domestic</u>	<u>Private</u>	<u>Total</u>
	<u>funds</u>	<u>strategy</u>	<u>equity</u>	<u>equity</u>	<u>Total</u>
	<u>          </u>	<u>hedge</u>	<u>          </u>	<u>          </u>	<u>          </u>
	<u>          </u>	<u>funds</u>	<u>          </u>	<u>          </u>	<u>          </u>
Beginning balance \$	34,803,849	\$ 27,974,727	\$ 1,206,927	\$ 5,880,653	\$ 69,866,156
Total gains/losses (realized/unrealized)	-	2,004,530	(6,712)	2,103,891	4,101,709
Net purchases, issuances and settlements	(7,019,363)	(510,699)	(29,367)	(560,938)	(8,120,367)
Transfers in (out) of Level 3	<u>(27,784,486)</u>	<u>(10,783,841)</u>	<u>-</u>	<u>-</u>	<u>(38,568,327)</u>
Ending balance	<u>\$ -</u>	<u>\$ 18,684,717</u>	<u>\$ 1,170,848</u>	<u>\$ 7,423,606</u>	<u>\$ 27,279,171</u>

## THE NOYCE FOUNDATION

Notes to Financial Statements

December 31, 2010

### 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/losses (realized/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 (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>

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 at December 31, 2010:

	<u>Year Ended December 31, 2010</u>			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Hedge funds <sup>(a)</sup>	\$ 33,930,859	\$ -	Quarterly/ annually	30 to 90 days
Multi-strategy hedge funds <sup>(b)</sup>	35,680,151	-	Quarterly	45 to 60 days
Domestic equity <sup>(c)</sup>	11,320,569	-	Semi-annual	30 days
International equity <sup>(d)</sup>	9,878,700	-	Monthly	30 days
Private equity <sup>(e)</sup>	7,423,606	-	N/A	N/A
	<u>\$ 98,233,885</u>	<u>\$ -</u>		

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

### **Note 3 - Investments (continued):**

The following table lists investments in other investment companies by major category at December 31, 2009:

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

<sup>(a)</sup> 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, 2010 and 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.

<sup>(b)</sup> 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, 2010 and 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.

<sup>(c)</sup> 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, 2010 and 2009, all of the investments in the category can be redeemed with no restrictions.

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

### **Note 3 - Investments (continued):**

- (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, 2010 and 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, 2010 and 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>2010</u>		<u>2009</u>
Equipment and computers	\$ 50,776	\$	49,361
Furniture and fixtures	<u>27,953</u>		<u>27,953</u>
	78,729		77,134
Less: accumulated depreciation	<u>(57,714)</u>		<u>(64,398)</u>
Property and equipment, net	<u>\$ 21,015</u>	\$	<u>12,916</u>

Depreciation expense for the years ended December 31, 2010 and 2009 was approximately \$5,000 and \$7,000, respectively.

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

December 31, 2010

### **Note 5 - Grants payable:**

The Foundation made multi-year grants during 2010. A present value discount was not included as it was not material to the financial statements. The maturity of their promises to give is expected to be as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2011	\$ 3,483,005
2012	1,564,565
2013	30,000
2014	<u>30,000</u>
Total grants payable	\$ <u>5,107,570</u>

### **Note 6 - 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>2010</u>	<u>2009</u>
Grantee A	29%	33%
Grantee B	12%	22%
Grantee C	11%	12%
Grantee D	11%	Less than 10%
Grantee E	10%	Less than 10%
Grantee F	10%	12%

### **Note 7 - 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 years ended December 31, 2010 and 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. Foundation contributions and expenses for the years ended December 31, 2010 and 2009 related to the plan totaled approximately \$32,000 and \$48,000, respectively.

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

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### **Note 8 - Federal excise taxes and distribution requirements:**

The Foundation qualifies as a tax-exempt organization; however the Foundation is classified as a private foundation and is subject to federal excise tax of 2% of its investment income for tax purposes. In accordance with Internal Revenue Code, the excise tax is reduced to 1% if certain conditions are met. For the years ended December 31, 2010 and 2009, the Foundation met the specific distribution requirements and the current excise taxes have been estimated at 1% of net investment income. Additionally, the Foundation had no unrelated business income taxes assessed through its pass-through entities for the years ending December 31, 2010 and 2009.

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it 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 includable for the 5% distribution requirement are based on the average monthly balance and are exclusive of those investments deemed to be held for charitable activities. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. The Foundation has complied in all material respects with the distribution requirements through December 31, 2010.

Deferred federal excise tax arises from timing differences between the cost basis and market value of investments. For the years ended December 31, 2010 and 2009, the Foundation incurred cumulative net unrealized gains which resulted in a deferred excise tax liability.

### **Note 9 - 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 2010, the Foundation sublet a portion of their office space under a noncancelable operating lease commencing on May 1, 2010 and ending on January 19, 2012. Rental income received during 2010 was approximately \$32,000 and was recorded as a reduction to the Foundation's rent expense for the year ending December 31, 2010. Future minimum rentals to be received in 2011 and 2012 is approximately \$48,000 and \$2,000, respectively.

Rental expense for the years ended December 31, 2010 and 2009 was approximately \$66,000 and \$78,000, respectively.

## **THE NOYCE FOUNDATION**

Notes to Financial Statements

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### **Note 9 - Commitments (continued):**

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

<u>Years Ending December 31,</u>	<u>Lease payments</u>	<u>Rental income</u>	<u>Lease payment less rental income</u>
2011	\$ 117,000	\$ 48,000	\$ 69,000
2012	<u>14,000</u>	<u>2,500</u>	<u>11,500</u>
Total	<u>\$ 131,000</u>	<u>\$ 50,500</u>	<u>\$ 80,500</u>

### **Note 10 - 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, 2010 and 2009, was approximately \$6,414,000 and \$370,000, respectively. For the year ending December 31, 2010, the Foundation had grants payable for related organizations of approximately \$2,323,000. 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.