

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION TOGETHER
WITH REPORT OF INDEPENDENT CERTIFIED
PUBLIC ACCOUNTANTS

**DORIS DUKE CHARITABLE FOUNDATION AND
RELATED ENTITIES**

For the year ended December 31, 2004

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of the
Doris Duke Charitable Foundation:

We have audited the accompanying consolidated balance sheet of the Doris Duke Charitable Foundation and related entities (collectively the "Foundation") as of December 31, 2004 and the related consolidated statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Doris Duke Charitable Foundation and related entities as of December 31, 2004 and the consolidated changes in their net assets and their consolidated cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The consolidating information included in schedules 1 and 2 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

New York, New York
March 9, 2005

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATED BALANCE SHEET

As of December 31, 2004

ASSETS

Cash and cash equivalents	\$ 12,164,916
Investments (Note C)	1,628,204,001
Contributions receivable from the Estate of Doris Duke, net (Note D)	783,052
Mortgages, notes and other receivables, net (Note F)	1,178,679
Other contributions receivable, net	6,918,641
Prepaid expenses	4,746,226
Other assets (Note F)	11,899,892
Property and equipment, net (Note G)	<u>82,358,054</u>
Total assets	<u>\$1,748,253,461</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable and accrued expenses	\$ 5,317,073
Grants payable (Note I)	41,235,485
Accrued postretirement benefit obligation (Note H)	8,803,232
Deferred Federal and state excise tax payable (Note J)	<u>6,199,409</u>
Total liabilities	61,555,199
Net assets - unrestricted	<u>1,686,698,262</u>
Total liabilities and net assets	<u>\$1,748,253,461</u>

The accompanying notes are an integral part of this consolidated statement.

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATED STATEMENT OF ACTIVITIES

For the year ended December 31, 2004

Revenues:	
Investment income:	
Dividends	\$ 12,289,935
Interest	<u>9,314,076</u>
	21,604,011
Less:	
Investment expenses	6,052,094
Provision for Federal and state taxes (Note J)	<u>2,370,838</u>
	13,181,079
Change in value of other contributions receivable	4,262,996
Gain on sale of collectibles (Note F)	19,161,503
Other revenues	<u>2,412,135</u>
Total revenues	<u>39,017,713</u>
Expenses:	
Grants, net (Note I)	33,130,418
Program	21,194,884
Administration	<u>6,153,611</u>
	<u>60,478,913</u>
Decrease in net assets before investment gains	<u>(21,461,200)</u>
Investment gains:	
Net realized gains	73,750,786
Net unrealized gains (Note J)	<u>83,225,437</u>
Net investment gains	<u>156,976,223</u>
Increase in net assets	<u>135,515,023</u>
Net assets, beginning of year, as previously reported	1,554,565,447
Adjustment to beginning of year net assets (Note H)	<u>(3,382,208)</u>
Net assets, beginning of year, as restated	<u>1,551,183,239</u>
Net assets, end of year	<u>\$1,686,698,262</u>

The accompanying notes are an integral part of this consolidated statement.

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2004

Cash flows from operating activities:	
Increase in net assets	\$ 135,515,023
Adjustments to reconcile increase in net assets to net cash used in operating activities:	
Depreciation and amortization	2,660,159
Discount allowance on grants payable	(1,372,886)
Gains on sale of property and equipment	(86,795)
Gains on sale of collectibles	(19,161,503)
Net realized and unrealized gains on investments	(158,665,632)
Increase in mortgages and note receivable	(402,160)
Change in value of contributions receivable	(4,012,996)
Decrease in interest, dividend and other receivables	2,129
Increase in due from brokers	(15,237,825)
Increase in prepaid expenses	(20,537)
Increase in other assets	(829,207)
Increase in due to brokers	10,555,007
Increase in accounts payable and accrued expenses	596,156
Increase in accrued postretirement benefit obligation	1,773,317
Decrease in grants payable	(9,466,599)
Increase in deferred federal excise tax payable	<u>1,689,409</u>
Net cash used in operating activities	<u>(56,464,940)</u>
Cash flows from investing activities:	
Purchase of investments	(3,545,074,030)
Proceeds from sale of investments	3,552,214,509
Purchase of property and equipment	(3,405,148)
Proceeds from sale of property and equipment	194,144
Proceeds from sale of collectibles	<u>32,843,334</u>
Net cash provided by investing activities	<u>36,772,809</u>
Cash flows from financing activities:	
Amounts received from J.B. Duke 1917 Trust	103
Amounts received from charitable remainder trusts	44,615
Amounts received from the Estate of Doris Duke	<u>19,216,948</u>
Net cash provided by financing activities	<u>19,261,666</u>
Net decrease in cash and cash equivalents	(430,465)
Cash and cash equivalents, beginning of year	<u>12,595,381</u>
Cash and cash equivalents, end of year	<u>\$ 12,164,916</u>
Supplemental cash flow information:	
Cash paid for federal and state excise taxes	<u>\$ 1,800,007</u>

The accompanying notes are an integral part of this consolidated statement.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2004

NOTE A - DESCRIPTION OF ORGANIZATION AND RELATED ENTITIES

Doris Duke Charitable Foundation (“DDCF”) is a private foundation that was established by the Last Will and Testament of Doris Duke in 1996. DDCF was formed as a trust under the laws of the State of New York and is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (the “Code”) as an organization described in Section 501(c)(3). It is a private foundation within the meaning of Section 509(a) of the Code.

The mission of DDCF’s grants program is to improve the quality of people’s lives by nurturing the arts, protecting and restoring the environment, seeking cures for diseases, and helping to protect children from abuse and neglect. In addition, DDCF supports three operating foundations that manage Doris Duke’s properties in New Jersey, Hawaii, and Rhode Island. The mission and the strategy of DDCF are guided by Doris Duke’s Last Will and Testament, which reflects the interests she pursued during her life. Doris Duke bequeathed DDCF significant resources to support those interests in addition to a legacy of properties and collections.

DDCF’s Board of Trustees controls one Delaware foundation which was established by Doris Duke during her lifetime and three operating foundations which were established through a Plan of Reorganization, effectuated in January 1999 (collectively, the “Foundation”). The following summarizes the entities comprising the Foundation. All material interorganizational balances and transactions have been eliminated in consolidation.

Duke Farms Foundation

Duke Farms Foundation was incorporated under the laws of the State of New York for the purpose of receiving title to real property located in Somerville, Hillsborough, Raritan, and Readington, New Jersey. The property comprises 2,700 acres, and includes a 700-acre park, a working farm, and display gardens. It is used for environmental, agricultural, and horticultural purposes.

Duke Farms Foundation is exempt from federal income taxes under Section 501(a) of the Code as an organization described in Section 501(c)(3). It is a private foundation within the meaning of Section 509(a) of the Code and qualifies as a private operating foundation described in Section 4942(j)(3) of the Code.

Doris Duke Foundation for Islamic Art

Doris Duke Foundation for Islamic Art (“DDFIA”) was incorporated under the laws of the State of New York for the purpose of receiving title to real property located in Honolulu, Hawaii, which includes a collection of Islamic art. It is used to promote the study and understanding of Middle Eastern art and culture.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE A (continued)

DDFIA is exempt from federal income taxes under Section 501(a) of the Code as an organization described in Section 501(c)(3). It is a private foundation within the meaning of Section 509(a) of the Code and qualifies as a private operating foundation described in Section 4942(j)(3) of the Code.

Additionally, DDFIA was specifically prohibited in its charter from operating a museum. In order to carry out the purposes mandated for DDFIA, the kinds of educational and historic house activities to take place at the Hawaiian property, Shangri La, required the formation of a new entity under the jurisdiction of the Board of Regents of the State of New York. Accordingly, in 2002, a new entity named the Doris Duke Foundation for Islamic Art was chartered by the Board of Regents of the State of New York as a museum. The Board of Regents then approved the consolidation of the not-for-profit corporation known as Doris Duke Foundation for Islamic Art with the new organization by the same name, as chartered by the Board of Regents.

Doris Duke Management Foundation

Doris Duke Management Foundation (“DDMF”) was incorporated under the laws of the State of New York for the purpose of creating a centralized source of personnel to provide various services, including management, clerical, financial, and operational services, to DDCF and the foundations it controls. Doris Duke Management Foundation also serves as a centralized source of certain facilities and equipment, both shared and separate.

DDMF is exempt from federal income tax under Section 501(a) of the Code as an organization described in Section 501(c)(3). It is a private foundation within the meaning of Section 509(a) of the Code and it qualifies as a private operating foundation described in Section 4942(j)(3) of the Code.

All appropriate expenses are assigned to each operating foundation pursuant to an Operating Agreement created at the inception of DDMF for the services performed by DDMF on their behalf.

Doris Duke Foundation

Doris Duke Foundation (“DDF”) is a private grant-making organization, exempt from federal income taxes under Section 501(a) of the Code as an organization described in Section 501(c)(3). It is a private foundation within the meaning of Section 509(a) of the Code. DDF houses the remaining Southeast Asian Art and Culture (“SEEAC”) Foundation assets, with the intent to dispose. The SEEAC assets were transferred to DDF upon the closing of the SEEAC Foundation, effective December 31, 2002.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Accounting

The accompanying consolidated financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The Foundation's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed stipulations. At December 31, 2004, the net assets of the Foundation were unrestricted in nature and represent resources that are not subject to donor-imposed stipulations, and are, therefore, available for the general operations of the Foundation.

In the event the Foundation receives contributions or other assets which are restricted in nature due to specific time or use restrictions, such resources would be classified as temporarily restricted or permanently restricted net assets accordingly, based on the nature of such restrictions. Temporarily restricted net assets represent net assets which are subject to donor-imposed stipulations that will be met either by actions of the Foundation and/or the passage of time. Permanently restricted net assets represent net assets that are subject to donor-imposed stipulations that neither expire with the passage of time nor can be fulfilled or removed by actions of the Foundation.

2. Collectibles

Collectibles consisting of personal property transferred to the Foundation from the Estate of Doris Duke were recorded at fair value based upon appraisals.

3. Use of Estimates

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

4. Investments

The Foundation reports all investments in equity securities with readily determinable fair values and all investments in debt securities at fair value.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE B (continued)

Marketable securities are reported on the basis of quoted market values as reported on the last business day of the fiscal year by the securities exchanges. Realized gains and losses on investments are calculated based on the first-in, first-out method.

Investments in limited partnership interests, alternative investments and certain derivative securities are based upon published current market prices when available. In the absence of readily ascertainable market values, the fair values of limited partnerships are based on estimates and assumptions determined by the respective general partners and managers.

5. *Property and Equipment*

Property and equipment are stated at cost, or at appraised values if received from the Estate of Doris Duke. Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 30 years. Leasehold improvements are amortized on the straight-line basis over the life of the lease or estimated useful life, whichever is shorter. The Foundation capitalizes computers with a unit price of \$5,000 or greater and property and equipment above \$2,500.

6. *Other Contributions Receivable*

In accordance with Doris Duke's Last Will and Testament, the Foundation is the remainderman of several split-interest agreements - specifically, irrevocable charitable remainder trusts held by others. The Foundation initially valued these deferred gifts at the fair value of the underlying investments which are then actuarially discounted to reflect the Foundation's remainderman interest upon death of the respective beneficiaries. Published IRS discount rates are employed to determine the net present value of both contributions and liabilities pertaining to these split-interest agreements. Annually, the Foundation revalues its remainderman interest in these split-interest agreements and reflects this change in value in the consolidated statement of activities.

7. *Grants*

Grants are recorded as an expense and liability of the Foundation when approved by the Foundation's Board of Trustees.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE B (continued)

8. *Functional Allocation of Expenses*

The costs of operating the Foundation have been allocated among program-related investment and administrative expenses. Program-related expenses pertain principally to the general grant-making activities of the Foundation, such as reviewing proposals and awarding, monitoring, and evaluating grants and expenses related to the farm operations, Middle Eastern arts, and Asian culture.

9. *Consolidated Statement of Cash Flows*

For purposes of the consolidated statement of cash flows, the Foundation considers investments with maturities of three months or less at time of purchase and investments in money market funds to be cash equivalents. Short-term investments held by investment managers are, however, classified as investments. At December 31, 2004, the Foundation had \$12,072,615 in money market funds which have been classified as cash equivalents.

10. *Financial Instruments*

The carrying amount of the Foundation's financial instruments approximates fair value.

NOTE C - INVESTMENTS

Investments at December 31, 2004, consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Equity investments	\$ 791,729,962	\$ 985,889,187
Marketable alternative investments	254,695,674	359,783,828
Nonmarketable alternative investments	33,942,843	40,471,803
Fixed income investments	<u>262,914,977</u>	<u>267,553,469</u>
Subtotal	1,343,283,456	1,653,698,287
Interest, dividend and other receivables	1,988,918	1,988,918
Due to broker	(44,612,957)	(44,612,957)
Due from broker	<u>17,129,753</u>	<u>17,129,753</u>
Total	<u>\$ 1,317,789,170</u>	<u>\$ 1,628,204,001</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE C (continued)

Equity investments include U.S. large and small-capitalization companies, real estate investment trusts, non-U.S. developed and emerging markets, and global equities (U.S. and non-U.S. developed market securities).

Marketable alternative investments include limited partnership interests whose underlying assets are readily marketable and include absolute return strategies (merger and convertible arbitrage, distressed debt, equity restructuring, real estate, and special situations) and long/short equity investments.

Nonmarketable alternative investments include limited partnership interests whose underlying assets are not readily marketable and include domestic and non-U.S. venture capital and private equity investments.

Because of the uncertainty of valuations for certain of the underlying limited partnerships and alternative investments which are not readily marketable or do not have quoted market prices, the carrying values of such investments could differ had a ready market existed. Such difference could be material. The realization of the Foundation's investment in these limited partnership interests is dependent upon the general partner's distributions and operating performance during the life of each partnership.

Fixed income investments represent the broad U.S. bond market, including government, corporate, treasury, and mortgage-backed securities.

Cash and cash equivalents include short-term investments. Cash and cash equivalents that are held by the investment managers have been classified into the investment categories and amounted to \$11,494,430 at December 31, 2004.

NOTE D - CONTRIBUTIONS FROM THE ESTATE OF DORIS DUKE

In accordance with the provisions of the Last Will and Testament of Doris Duke, the Foundation was named as the beneficiary of (i) certain specific bequests and (ii) the balance of the estate after making certain specific gifts to other beneficiaries and paying debts, claims, expenses of administration, and estate or death taxes.

At December 31, 2004, the net amount expected to be received from the Estate of Doris Duke is \$783,052. In 2004, the Foundation received \$19,216,948 from the Estate of Doris Duke.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE E - CONTRIBUTIONS FROM J.B. DUKE 1917 TRUST

The J.B. Duke 1917 Trust was created by James B. Duke in 1917 for the benefit of his daughter, Doris Duke. It was originally in trust with Farmer's Loan and Trust Company, now Citibank, N.A. The Foundation received the remaining qualifying distributions from the J.B. Duke 1917 Trust totaling \$103 in 2004.

NOTE F - SALE OF OTHER ASSETS

In 2004, the Doris Duke Collection of personal assets was sold by Christie's for a total of \$34,009,234. The gain on the sale of these assets was \$19,161,503. Additionally, at year-end, the receivable remaining from Christie's was \$1,165,900. This amount was collected by the Foundation subsequent to year-end.

NOTE G - PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2004, consisted of the following:

Land	\$ 51,573,132
Buildings and improvements	34,331,451
Furniture and equipment	11,204,166
Leasehold improvements	<u>1,809,725</u>
	98,918,474
Less: accumulated depreciation and amortization	<u>(16,560,420)</u>
	<u>\$ 82,358,054</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE H - ACCRUED POSTRETIREMENT HEALTH CARE BENEFIT OBLIGATION

Change in benefit obligation:	
Benefit obligation, beginning of year	\$ 7,029,915
Service cost	871,132
Interest cost	419,822
Actuarial loss	573,421
Benefits paid	<u>(91,058)</u>
Benefit obligation, end of year	<u>\$ 8,803,232</u>
Accrued postretirement benefit liability	\$ 4,964,851
Unrecognized prior service cost	2,601,561
Unrecognized actuarial net loss	<u>1,236,820</u>
Benefit obligation, end of year	<u>\$ 8,803,232</u>
Components of net periodic benefit cost:	
Service cost	\$ 869,110
Interest cost	419,822
Amortization of unrecognized prior service costs	<u>467,142</u>
Net periodic postretirement benefit cost	<u>\$ 1,756,074</u>
Discount rate for benefit obligation, year-end	5.66%
Discount rate for net periodic benefit cost, year-end	6.01%
Assumed medical trend rates at December 31:	
Health care cost trend rate assumed next year	5.9%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year rate reaches the ultimate trend rate	2011
Assumed prescription drug trend rates at December 31:	
Health care cost trend rate assumed next year	11.8%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%
Year rate reaches the ultimate trend rate	2020

Since the Foundation's inception, eligible employees have been entitled to certain postretirement medical benefits other than pension benefits as detailed above. The Foundation had previously not recorded the liability associated with this obligation in its financial statements. During 2004, the Foundation determined that such liability should be reflected on its financial statements. Accordingly, during fiscal 2004, Foundation management recorded an adjustment in the amount of \$3,382,208 to reflect this actuarially determined liability as of January 1, 2004 in their financial statements. In addition, the Foundation incurred expense of \$1,667,038 relating to these post-retirement benefits in 2004.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE I - GRANTS PAYABLE

Accounting principles generally accepted in the United States of America require contributions made (“unpaid grants”) to be recorded at the present value of estimated future cash flows. As of December 31, 2004, the Foundation has discounted the amount of unpaid grant liability by applying an interest rate factor of 3% percent.

The following summarizes the changes in grants payable during 2004:

Balance, beginning of year:	
DDCF	\$ 51,774,970
DDFIA	<u>300,000</u>
	<u>52,074,970</u>
Additions:	
Grants authorized:	
DDCF	36,001,071
DDF	-
DDFIA	-
Present value discount	<u>(1,372,886)</u>
	<u>34,628,185</u>
Deductions:	
Payments made:	
DDCF	(43,973,170)
DDF	-
DDFIA	-
	<u>(43,973,170)</u>
Rescinded grants:	
DDCF	(1,194,500)
DDFIA	<u>(300,000)</u>
	<u>(1,494,500)</u>
Balance, end of year:	
DDCF	41,235,485
DDFIA	-
	<u>\$ 41,235,485</u>

In 2004, grants in the amount of \$3,267 were refunded and netted with grants expense in the consolidated statement of activities.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE I (continued)

Grants authorized but unpaid at December 31, 2004 are payable as follows:

<u>Year payable</u>	<u>Amount</u>
2005	\$ 24,811,137
2006	9,474,637
2007	5,320,749
2008	1,350,000
2009	<u>1,651,848</u>
	42,608,371
Less: discount to present value	<u>(1,372,886)</u>
	<u>\$ 41,235,485</u>

NOTE J - TAXES

DDCF and DDF are normally subject to a 2% federal excise tax on their net investment income, as defined, for tax purposes. However, the tax is reduced to 1% if certain conditions are met. DDCF did not qualify for the 1% federal excise tax in 2004. DDCF and DDF made estimated payments at the 2% rate for 2004. In addition, the Foundation is also subject to unrelated business income taxes on certain of its investment earnings. Such taxes totaled \$583,044 in 2004.

Deferred taxes principally arise from differences between the cost and fair value of investments. Since the qualification for the 1% tax is not determinable until the fiscal year in which net gains are realized, the deferred tax liability represents 2% of unrealized gains on investments.

The accompanying consolidated financial statements reflect provisions for current and deferred Federal and state excise taxes on unrelated business income as follows:

Current Federal and state excise taxes	\$ 1,787,794
Provision for unrelated business income taxes	<u>583,044</u>
Total current provision for taxes	<u>\$ 2,370,838</u>
Deferred Federal excise taxes	<u>\$ 6,199,409</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE J (continued)

In addition, the Code requires that certain minimum distributions be made in accordance with a specified formula. These amounts are required to be distributed by the end of the next calendar year.

At December 31, 2004, the Foundation had a minimum distribution requirement of approximately \$74,000,000 which included a \$103 distribution requirement relative to the J.B. Duke 1917 Trust. Management plans to satisfy the 2004 distribution requirement principally through grant disbursements and grants carried forward from the prior year during fiscal 2005.

NOTE K - RELATED PARTY

Newport Restoration Foundation ("NRF") was established as a not-for-profit foundation in 1968 in order to preserve and restore historic architecture of the eighteenth and early nineteenth centuries in Newport, Rhode Island. NRF currently owns 75 properties (not including Rough Point), of which 72 are historic homes rented to the general public. NRF and the Foundation have one trustee in common. In addition, in accordance with the Last Will and Testament of Doris Duke, in 1999 NRF received certain real and personal property located in Newport, Rhode Island, known as Rough Point, and certain real property located in Middletown, Rhode Island, valued at Doris Duke's date of death at approximately \$22 million. The operations of Rough Point are funded by DDCF. In 2004, NRF was awarded \$2,267,160 from DDCF. NRF was awarded no grants from DDF in 2004.

NOTE L - LEASE COMMITMENT

DDMF is a party to a lease agreement on office space which expires on February 28, 2008. Future minimum rental commitments under this operating lease are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2005	\$ 356,000
2006	356,000
2007	356,000
2008	<u>60,000</u>
	<u>\$1,128,000</u>

Rent expense for 2004 totaled approximately \$356,300.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2004

NOTE M - PENSION PLANS

DDCF sponsors a 401(a) profit sharing plan with a 401(k) feature. Eligible employees may elect to have pretax contributions made to their participant accounts not to exceed federal allowable limits. The Foundation plans to make discretionary contributions to the 401(k) plan. Total pension expense under this 401(k) plan for 2004 was \$1,026,271. Participants are immediately vested in their and the employer's contribution portion and the earnings thereon.

DDCF also sponsors a Supplemental Employee Retirement Plan (the "Supplemental Plan") to provide certain employees of the Foundation with retirement benefits that are otherwise unavailable from the qualified retirement plan established by DDCF. The Supplemental Plan is an unfunded (nonqualified) retirement plan which permits the employer to defer 15% of compensation in excess of the Code's 401(a)(17) limitation for eligible employees. In 2004, pension expense relative to the Supplemental Plan was approximately \$64,000. The annual limitation used in calculating the 2004 pension expense was \$205,000.