

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

DORIS DUKE CHARITABLE FOUNDATION
AND RELATED ENTITIES

For the years ended December 31, 2009 and 2008

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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 sheets of the Doris Duke Charitable Foundation and Related Entities including Duke Farms Foundation, Doris Duke Foundation for Islamic Art, Doris Duke Management Foundation, and Doris Duke Foundation (collectively, the "Foundation") as of December 31, 2009 and 2008 and the related consolidated statements of activities and cash flows for the years then ended. These consolidated 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated 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, 2009 and 2008 and the consolidated changes in their net assets and their consolidated cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The consolidating information included on Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has been subjected to the auditing procedures applied in our audits of the basic consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole.

A stylized, handwritten signature of "Grant Thornton LLP" in black ink.

New York, New York
June 9, 2010

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATED BALANCE SHEETS

As of December 31, 2009 and 2008

<u>ASSETS</u>	<u>2009</u>	<u>2008</u>
Cash and cash equivalents	\$ 31,779,021	\$ 92,419,215
Prepaid expenses, deferred charges and other receivables	1,676,281	827,917
Contributions receivable from Estate of Doris Duke (Note D)	2,459,430	-
Deposits held with bond trustee (Note M)	50,353,140	-
Investments (Note C)	1,489,798,986	1,271,864,484
Beneficial interest in trusts held by others (Note N)	5,183,167	3,702,272
Personalty (Note E)	405,732	1,286,774
Property and equipment, net (Notes F and N)	<u>88,884,044</u>	<u>86,813,192</u>
Total assets	<u>\$ 1,670,539,801</u>	<u>\$ 1,456,913,854</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,646,529	\$ 5,643,839
Accrued interest payable	744,622	-
Grants payable, net (Note H)	79,740,272	65,733,460
Deferred federal and state excise taxes payable (Note I)	3,448,481	-
Interest rate swap agreement (Note M)	2,129,769	-
Post-retirement benefit obligation (Note G)	5,473,484	4,739,772
Bonds payable (Note M)	<u>55,693,546</u>	<u>-</u>
Total liabilities	153,876,703	76,117,071
Net assets - unrestricted	<u>1,516,663,098</u>	<u>1,380,796,783</u>
Total liabilities and net assets	<u>\$ 1,670,539,801</u>	<u>\$ 1,456,913,854</u>

The accompanying notes are an integral part of these consolidated statements.

Doris Duke Charitable Foundation and Related Entities
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended December 31, 2009 and 2008

	2009	2008
Revenues:		
Investment income:		
Dividends	\$ 6,578,008	\$ 13,989,906
Interest	<u>13,283,167</u>	<u>6,937,991</u>
	19,861,175	20,927,897
Less:		
Investment expenses	(4,842,737)	(5,896,661)
Refund of (provision for) federal and state excise taxes (Note I)	<u>1,970,640</u>	<u>(1,290,618)</u>
Net investment income	16,989,078	13,740,618
Change in value of beneficial interest in trusts held by others (Note N)	1,480,895	(5,233,756)
Residual interest in Estate of Doris Duke (Note D)	2,459,430	-
Other revenues	<u>750,624</u>	<u>214,027</u>
Total revenues	<u>21,680,027</u>	<u>8,720,889</u>
Expenses:		
Grants	76,495,748	72,982,990
Program	22,109,217	24,397,707
Administration	<u>5,247,771</u>	<u>6,296,211</u>
Total expenses	<u>103,852,736</u>	<u>103,676,908</u>
Decrease in net assets before investment gains (losses)	<u>(82,172,709)</u>	<u>(94,956,019)</u>
Investment gains (losses):		
Net realized losses	(13,702,609)	(77,832,299)
Net unrealized gains (losses) (Note I)	<u>233,871,402</u>	<u>(483,182,076)</u>
Net investment gains (losses)	<u>220,168,793</u>	<u>(561,014,375)</u>
Change in value of interest rate swap agreement (Note M)	<u>(2,129,769)</u>	<u>-</u>
Increase (decrease) in net assets	135,866,315	(655,970,394)
Net assets - unrestricted, beginning of year	<u>1,380,796,783</u>	<u>2,036,767,177</u>
Net assets - unrestricted, end of year	<u>\$ 1,516,663,098</u>	<u>\$ 1,380,796,783</u>

The accompanying notes are an integral part of these consolidated statements.

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Increase (decrease) increase in net assets	\$ 135,866,315	\$ (655,970,394)
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities:		
Change in value of interest rate swap agreement	2,129,769	-
Depreciation	2,971,246	3,165,387
Amortization of deferred bond issuance costs	1,966	-
Amortization of bond premium	(3,704)	-
Amortization of present value discount on grants payable	372,293	2,435,019
Discount allowance on grants payable	(1,826,655)	(410,635)
Gifted collectibles	55,983	756,004
Net proceeds from sales of personalty	1,467,668	52,460
(Gain) loss from disposition of personalty	(642,609)	86,842
Loss from disposition of property and equipment	-	11,697
Net realized and unrealized (gains) losses on investments	(222,326,808)	563,912,443
Change in value of beneficial interest in trusts held by others	(1,480,895)	5,233,756
Changes in assets and liabilities:		
(Increase) decrease in interest, dividend and other receivables	(638,740)	304,956
Decrease (increase) in due from brokers	27,593,125	(50,386,149)
(Increase) decrease in prepaid expenses, deferred charges and other receivables	(11,947)	28,313
Increase in receivable from the Estate of Doris Duke	(2,459,430)	-
(Decrease) increase in due to brokers	(71,184,733)	60,917,813
Increase in accounts payable and accrued expenses	813,303	279,555
Increase in accrued interest – bonds payable	744,622	-
Increase in postretirement benefit obligation	733,712	1,084,899
Increase (decrease) in grants payable	15,461,174	(11,841,297)
Change in deferred federal and state excise taxes payable	<u>3,448,481</u>	<u>(4,218,701)</u>
Net cash used in operating activities	<u>(108,915,864)</u>	<u>(84,558,032)</u>
Cash flows from investing activities:		
Purchase of investments	(1,890,544,343)	(5,781,557,913)
Proceeds from sale of investments	1,939,166,997	5,951,357,281
Purchase of property and equipment	(4,852,711)	(5,517,420)
Proceeds from sale of property and equipment	-	250
Net cash provided by investing activities	<u>43,769,943</u>	<u>164,282,198</u>
Cash flows from financing activities:		
Amounts received from charitable remainder trusts	-	728,089
Proceeds from bond issuance	55,697,250	-
Deposits with bond trustees	(50,353,140)	-
Cost of bond issuance	<u>(838,383)</u>	<u>-</u>
Net cash provided by financing activities	<u>4,505,727</u>	<u>728,089</u>
Net (decrease) increase in cash and cash equivalents	(60,640,194)	80,452,255
Cash and cash equivalents, beginning of year	<u>92,419,215</u>	<u>11,966,960</u>
Cash and cash equivalents, end of year	<u>\$ 31,779,021</u>	<u>\$ 92,419,215</u>
Supplemental cash flow information:		
Cash paid for federal and state excise taxes	<u>\$ -</u>	<u>\$ 1,235,000</u>
Cash paid for interest	<u>\$ 1,140,284</u>	<u>\$ -</u>
Retainage	<u>\$ 189,387</u>	<u>\$ -</u>

The accompanying notes are an integral part of these consolidated statements.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - DESCRIPTION OF ORGANIZATION AND RELATED ENTITIES

Doris Duke Charitable Foundation (“DDCF”) is a private foundation 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. 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. Further, DDCF supports three operating foundations that own Doris Duke’s properties in New Jersey, Hawaii, and Rhode Island, and a fourth that provides services to the other foundations.

The Doris Duke Foundation which was established in Delaware in 1934 by Doris Duke during her lifetime, the Doris Duke Charitable Foundation, and three operating foundations which were established through a Plan of Reorganization, effectuated in January 1999, are collectively referred to as the “Foundation.” The following summarizes the entities which, in addition to DDCF, comprise the Foundation. All material inter-organizational balances and transactions have been eliminated in consolidation.

Duke Farms Foundation

Duke Farms Foundation (“DFF”) 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 designed landscapes, working farms, and supporting infrastructure. It is used for environmental, agricultural, and horticultural purposes. During 2006, the DFF Board of Directors approved a resolution to develop a master plan to fulfill DFF’s mission of environmental stewardship. The thrust of this plan will lead to restoration of the property, consistent with sound environmental practices, as a resource for public education and enjoyment. The design process for the property and buildings occurred during 2008 and renovation of existing structures for both public education and administrative use commenced in 2009.

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 Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE A (continued)

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, HI, which includes a collection of Islamic art. It is used to promote the study and understanding of Islamic art and culture. DDFIA also awards grants to promote the use of arts and media to improve Americans’ understanding of Muslim societies.

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 the Foundation. 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 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 it qualifies as a private operating foundation described in Section 4942(j)(3) of the Code.

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

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE A (continued)

Doris Duke Foundation

Doris Duke Foundation (“DDF”) is a private grant-making entity, organized under the laws of the State of Delaware in 1934, 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 owns the remaining Southeast Asian Art and Culture (“SEAAC”) Foundation assets, with the intent to dispose. The SEAAC assets were transferred to DDF upon the dissolution of the SEAAC Foundation, effective December 31, 2002.

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 (“US GAAP”).

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, 2009 and 2008, 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. Personalty

Personal property transferred to the Foundation from the Estate of Doris Duke was recorded at fair value based upon independent appraisals. In 2008, the Foundation examined its remaining personalty to determine which items would ultimately be gifted to other nonprofit organizations,

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

kept as part of the Foundation's archives or sold. In 2009, a number of items of personalty were sold through auctions and gifted to various museums. The remaining items of personalty will continue to be examined for possible sale or additional gifting to other nonprofit organizations, or otherwise disposed. (See Note E for additional details.)

3. Use of Estimates

The preparation of consolidated financial statements in conformity with US GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant management estimates and assumptions relate to the valuation of nonmarketable alternative investments; the determination of the Foundation's postretirement benefit obligation; the fair value assigned to its interest rate swap agreement; and its remainderman interest under split-interest agreements. Actual results could differ from those estimates.

4. Fair Value Measurements

Effective January 1, 2008, the Foundation adopted "Fair Value Measurements and Disclosures," which defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the inputs used to measure fair value and enhances disclosure requirements for fair value measurements. This standard maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the observable inputs be used when available.

Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from independent sources. Unobservable inputs reflect assumptions that market participants would use in pricing the asset or liability based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the transparency of inputs as follows:

Level 1 - Quoted prices available in active markets for identical assets or liabilities as of the measurement date. A quoted price for an identical asset or liability in an active market provides the most reliable fair value measurement because it is directly observable to the market.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the measurement date. The nature of these securities includes investments for which quoted prices are available but traded less frequently and investments that are fair valued using other securities, the parameters of which can be directly observed. Also included in Level 2 are investments measured using a net asset value (“NAV”) per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which is generally considered to be within 90 days.

Level 3 - Securities that have little to no pricing observability as of the measurement date. These securities are measured using management’s best estimate of fair value, where the inputs into the determination of fair value are not observable and require significant management judgment or estimation. Also included in Level 3 are investments measured using a NAV per share, or its equivalent, that can never be redeemed at the NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad credit data, liquidity statistics, and other factors. A financial instrument’s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes “observable” requires significant judgment by the Foundation. The Foundation considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The categorization of a financial instrument within the fair value hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the Foundation’s perceived risk of that instrument.

5. Valuation of Investments

Investments whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include active listed equities, certain U.S. government and sovereign obligations, and certain money market securities. The Foundation does not adjust the quoted price for such instruments, even in situations where the Foundation holds a large position and a sale could reasonably impact the quoted price.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

Investments that trade in markets that are not considered to be active, but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These include certain U.S. government and sovereign obligations, not included in Level 1, most government agency securities, investment-grade corporate bonds, certain mortgage products, certain bank loans and bridge loans, less liquid listed equities, state, municipal and provincial obligations, most physical commodities and certain loan commitments. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or nontransferability, which are generally based on available market information.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 instruments include private equity and real estate investments, certain bank loans and bridge loans, less liquid corporate debt securities (including distressed debt instruments), collateralized debt obligations, and less liquid mortgage securities (backed by either commercial or residential real estate). When observable prices are not available for these securities, the Foundation uses one or more valuation techniques (e.g., the market approach, the income approach or the cost approach) for which sufficient and reliable data is available. Within Level 3, the use of the market approach generally consists of using comparable market transactions, while the use of the income approach generally consists of the net present value of estimated future cash flows, adjusted as appropriate for liquidity, credit, market and/or other risk factors.

The inputs used by the Foundation in estimating the value of Level 3 investments include the original transaction price, recent transactions for the same or similar instruments, completed or pending third-party transactions in the underlying investment or comparable issuers, subsequent rounds of financing, recapitalizations and other transactions across the capital structure, offerings in the equity or debt capital markets, and changes in financial ratios or cash flows. Level 3 investments may also be adjusted to reflect illiquidity and/or nontransferability, with the amount of such discount estimated by the Foundation in the absence of market information. The fair value measurement of Level 3 investments does not include transaction costs that may have been capitalized as part of the security's cost basis. Assumptions used by the Foundation, due to the lack of observable inputs, may significantly impact the resulting fair value for such assets categorized as Level 3 and therefore the Foundation's changes in net assets.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

In 2009, the Foundation adopted new Financial Accounting Standards Board (“FASB”) guidance related to fair value measurements and disclosure of investments in certain entities that do not have a quoted market price but that calculate the NAV per share or its equivalent. As a practical expedient, the guidance permits, but does not require, the Foundation to measure fair value of an investment in an investee within the scope of the amendments based on the investee’s NAV per share or its equivalent. As a result of applying the practical expedient, the fair value of the Foundation’s investments in pooled equity funds and pooled fixed income funds was determined based on the reported NAV beginning with the December 31, 2009 valuation. Prior to the adoption of the new guidance, the Foundation adjusted the NAV for liquidity restrictions and lock-ups that were characteristics of the Foundation’s investments but not of the underlying investments for which the NAV was determined. The adoption of this guidance did not have a material impact on the fair values of applicable investments; however, the use of the practical expedient required additional disclosures. (See Note C for additional details.)

6. Concentrations of Credit Risk

Financial instruments which potentially subject the Foundation to concentrations of credit risk consist of cash and cash equivalents, equity and fixed-income securities and alternative investments. The Foundation maintains its cash and cash equivalents in various bank deposit accounts which, at times, may exceed federally insured limits. The Foundation’s cash accounts were placed with high credit quality financial institutions. The Foundation has not experienced, nor does it anticipate, any losses in such accounts. The Foundation has a significant investment in equities, bonds, and alternative investments, both marketable and nonmarketable, and is therefore subject to concentrations of credit risk. Investment decisions are made by the DDCF Investment Committee of the Board of Trustees in conformity with the investment strategy approved by and under the direction of the Board of Trustees, in consultation with management and independent investment managers engaged by the Foundation.

7. 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 their estimated useful life, whichever is shorter. The Foundation capitalizes computers with a unit price of \$5,000 or greater and property and equipment costing more than \$2,500.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

8. Beneficial Interest in Trusts Held by Others

In accordance with Doris Duke's Last Will and Testament, DDCF is the remainderman beneficiary of several split-interest agreements - specifically, irrevocable charitable remainder annuity 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 life 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, DDCF revalues its remainderman interest in these split-interest agreements and reflects this change in value in the consolidated statement of activities.

9. Grants

Grant awards by the Foundation to recipients are recorded as an expense and a liability when approved by the appropriate boards. Such grant commitments are typically made to a recipient over multiple fiscal years and are therefore recognized and measured at the present value of the amounts to be paid. The present value discount is determined when the grant is initially recognized using an appropriate discount rate which is not subsequently revised. The Foundation amortizes grant discounts, which are recorded as additional grant expense, over the payment period of the respective grant using the effective interest method.

10. Functional Allocation of Expenses

The costs of operating the Foundation have been allocated among program-related 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. Administrative expenses include all other non-program related expenses of the Foundation.

11. Consolidated Statements of Cash Flows

For purposes of preparing the consolidated statement of cash flows, the Foundation considers investments with original maturities of three months or less at the time of purchase and all investments in money market funds, with immediate liquidity, to be cash equivalents. Short-term investments held by investment managers as part of the Foundation's long-term investment strategy are, however, classified as investments. At December 31, 2009 and 2008, the Foundation had \$27,214,086 and \$91,074,135, respectively, in money market funds which have been classified as cash equivalents.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE B (continued)

12. Financial Instruments

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

NOTE C - INVESTMENTS

Investments at December 31, 2009 and 2008 consisted of the following:

	2009		2008	
	Cost	Fair Value	Cost	Fair Value
Equity investments	\$ 323,694,492	\$ 289,698,337	\$ 399,041,145	\$ 236,305,338
Marketable alternative investments	541,421,723	740,357,325	581,274,338	697,049,490
Non-marketable alternative investments	247,186,971	245,993,307	224,564,612	214,862,652
Fixed-income investments	<u>175,383,796</u>	<u>183,786,821</u>	<u>145,132,145</u>	<u>137,914,156</u>
Subtotal	1,287,686,982	1,459,835,790	1,350,012,240	1,286,131,636
Interest, dividend and other receivables	2,027,928	2,027,928	1,389,188	1,389,188
Due to brokers	(33,650,950)	(33,650,950)	(104,835,683)	(104,835,683)
Due from brokers	<u>61,586,218</u>	<u>61,586,218</u>	<u>89,179,343</u>	<u>89,179,343</u>
Total	<u>\$ 1,317,650,178</u>	<u>\$ 1,489,798,986</u>	<u>\$ 1,335,745,088</u>	<u>\$ 1,271,864,484</u>

Marketable and non-marketable alternative investments at December 31, 2009 and 2008 consisted of the following:

	2009			2008		
	Number of Funds	Cost	Fair Value	Number of Funds	Cost	Fair Value
Alternative investment strategy:						
Marketable alternative investments:						
Multi-Strategy	12	\$ 253,380,555	\$ 396,714,560	11	\$ 245,288,363	\$ 338,634,463
Equity Long/Short	15	217,001,487	275,941,862	13	252,218,509	290,546,558
Distressed/High Yield	3	60,110,708	64,701,407	3	60,006,738	47,561,479
Fund of Funds	<u>1</u>	<u>10,928,973</u>	<u>2,999,496</u>	<u>1</u>	<u>23,760,728</u>	<u>20,306,990</u>
Total marketable alternative investments	<u>31</u>	<u>541,421,723</u>	<u>740,357,325</u>	<u>28</u>	<u>581,274,338</u>	<u>697,049,490</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE C (continued)

	2009			2008		
	Number of Funds	Cost	Fair Value	Number of Funds	Cost	Fair Value
Non-marketable alternative investments:						
Fund of Funds	7	\$ 80,686,822	\$ 76,135,337	7	\$ 73,625,460	\$ 75,813,297
Buy-outs/Growth	14	82,330,812	88,519,269	14	76,633,787	67,964,006
Venture Capital	17	33,644,885	30,595,495	15	25,916,684	25,084,356
Distressed	4	22,069,015	18,548,311	4	20,219,015	13,752,434
Real Assets	4	28,455,437	32,194,895	4	28,169,666	32,248,559
Total non-marketable alternative investments	46	247,186,971	245,993,307	44	224,564,612	214,862,652
Total alternative investments	77	\$ 788,608,694	\$ 986,350,632	72	\$ 805,838,950	\$ 911,912,142

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).

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 held by investment managers, as part of the long-term investment strategy of the Foundation, have been classified into the investment categories in which they are intended to ultimately be invested in and amounted to \$10,200,536 and \$12,265,890 at December 31, 2009 and 2008, respectively.

Because of the uncertainty associated with the valuations of certain of the 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 for such investments existed. Such difference could be material. The realization of the Foundation's investment in limited partnership interests is dependent upon the general partner's distributions and operating performance during the life of each partnership.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE C (continued)

The following table summarizes investments within the fair value hierarchy as of December 31, 2009:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments	\$ 74,388,750	\$ 215,309,587	\$ -	\$ 289,698,337
Marketable alternative investments	-	248,084,461	492,272,864	740,357,325
Non-marketable alternative investments	-	-	245,993,307	245,993,307
Fixed-income investments	-	<u>183,786,821</u>	-	<u>183,786,821</u>
	<u>\$ 74,388,750</u>	<u>\$ 647,180,869</u>	<u>\$ 738,266,171</u>	<u>\$ 1,459,835,790</u>

The following table summarizes investments within the fair value hierarchy as of December 31, 2008:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity investments	\$ 82,089,555	\$ 154,215,783	\$ -	\$ 236,305,338
Marketable alternative investments	-	-	697,049,490	697,049,490
Non-marketable alternative investments	-	-	214,862,652	214,862,652
Fixed-income investments	-	<u>137,914,156</u>	-	<u>137,914,156</u>
	<u>\$ 82,089,555</u>	<u>\$ 292,129,939</u>	<u>\$ 911,912,142</u>	<u>\$ 1,286,131,636</u>

The following table summarizes the changes in fair values associated with Level 3 assets for the years ended December 31, 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year	\$ 911,912,142	\$ 1,027,386,490
Sales, net of purchases	(35,882,495)	105,309,747
Realized gains (losses)	18,679,116	(596,452)
Unrealized gains (losses)	91,641,869	(220,187,643)
Transfers out	<u>(248,084,461)</u>	<u>-</u>
Balance, end of year	<u>\$ 738,266,171</u>	<u>\$ 911,912,142</u>

All net realized and unrealized losses in the table above are reflected in the accompanying consolidated statements of activities. Net unrealized gains relate to those investments held by the Foundation at year-end.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE C (continued)

Investments valued at NAV as of December 31, 2009, consisted of the following:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Multi-Strategy	\$ 90,732,184	\$ -	Quarterly	60 days
Equity Long/Short	\$ 157,352,277	\$ -	Monthly-Quarterly	30-60 days

NOTE D - DISTRIBUTION 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 named beneficiaries and paying the debts, claims, and expenses associated with the administration of the estate as well as all estate or death taxes.

In March 2010, the Foundation received a final distribution from the Estate of Doris Duke of \$2,459,430 in accordance with the Decree on Accounting approved by the Surrogate's Court dated January 12, 2010. This final distribution has been accrued by the Foundation as of December 31, 2009.

NOTE E - PERSONALTY

Doris Duke's personal assets, which were bequeathed to the Foundation, have been gradually sold through auctions held primarily in 2004 by Christie's. The total cumulative proceeds from the sales of such personalty in the 2004 auction approximated \$34,000,000 and resulted in an approximate net gain of \$19,000,000. In 2009 and 2008, a number of personalty items were sold through auctions with total proceeds from such sales aggregating \$1,467,668 and \$52,460 and resulting in net gains (losses) of approximately \$643,000 and \$(87,000), respectively. During 2009 and 2008, the Foundation gifted personalty in the amount of \$55,983 and \$756,004, respectively, to several museums and a university. The remaining personalty held for sale or gift from the Estate of Doris Duke as of December 31, 2009 and 2008, totaled \$405,732 and \$1,286,774, respectively.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2009 and 2008, consisted of the following:

	<u>2009</u>	<u>2008</u>
Buildings and improvements	\$ 50,188,826	\$ 45,391,492
Furniture and equipment	13,709,513	13,464,749
Leasehold improvements	<u>3,819,989</u>	<u>3,819,989</u>
	67,718,328	62,676,230
Less: accumulated depreciation	<u>(31,157,164)</u>	<u>(28,185,918)</u>
	36,561,164	34,490,312
Land	<u>52,322,880</u>	<u>52,322,880</u>
	<u>\$ 88,884,044</u>	<u>\$ 86,813,192</u>

Depreciation expense for the years ended December 31, 2009 and 2008 was \$2,971,246 and \$3,165,387, respectively.

NOTE G - POST-RETIREMENT BENEFIT OBLIGATION

The Foundation provides health benefits to all its full-time employees. Upon retirement, employees may be eligible for continuation of some of these benefits. Amounts are accrued for such benefits during the years in which employees provide services to the Foundation.

The actuarial present value of the benefit obligation and the amounts recognized in the accompanying consolidated balance sheets as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</u>
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 4,739,772	\$ 3,654,873
Service cost	325,340	251,548
Interest cost	274,374	235,508
Plan participants' contributions	7,537	5,662
Actuarial loss	265,200	696,412
Benefits paid	<u>(138,739)</u>	<u>(104,231)</u>
Benefit obligation, end of year	<u>\$ 5,473,484</u>	<u>\$ 4,739,772</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE G (continued)

	<u>2009</u>	<u>2008</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contributions	131,202	98,569
Plan participants' contributions	7,537	5,662
Benefits paid	<u>(138,739)</u>	<u>(104,231)</u>
Fair value of plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>
Components of accrued benefit cost:		
Funded status	\$ (5,473,484)	\$ (4,739,772)
Unamortized prior service cost	(957,556)	(1,037,457)
Unamortized actuarial net gain	<u>(2,306,464)</u>	<u>(2,735,622)</u>
Accrued benefit cost	<u>\$ (8,737,504)</u>	<u>\$ (8,512,851)</u>
Components of net periodic benefit cost:		
Service cost	\$ 325,340	\$ 251,548
Interest cost	274,374	235,508
Amortization of unrecognized prior service costs	<u>(243,860)</u>	<u>(319,978)</u>
Net periodic post-retirement benefit cost	<u>\$ 355,854</u>	<u>\$ 167,078</u>
Discount rate for benefit obligation, end of year	5.96%	5.87%
Discount rate for net periodic benefit cost, end of year	5.87%	6.54%

Future benefit payments to participants are expected to be paid as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2010	\$ 175,327
2011	175,254
2012	188,170
2013	226,630
2014	258,202
2015-2019	<u>1,820,342</u>
	<u>\$ 2,843,925</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE G (continued)

	<u>2009</u>	<u>2008</u>
Assumed pre-65 medical trend rates at December 31:		
Health care cost trend rate assumed next year	9.0%	10.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year rate reaches the ultimate trend rate	2017	2017
Assumed post-65 medical trend rates at December 31:		
Health care cost trend rate assumed next year	7.5%	8.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year rate reaches the ultimate trend rate	2017	2017
Assumed prescription drug trend rates at December 31:		
Health care cost trend rate assumed next year	9.0%	10.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%	5.0%
Year rate reaches the ultimate trend rate	2017	2017

The Foundation does not anticipate applying for the Medicare Part D prescription drug federal subsidy; therefore, the above disclosures do not reflect the impact of Medicare Part D. The Foundation's expense associated with this plan totaled \$733,712 and \$1,084,900 for 2009 and 2008, respectively.

	<u>2009</u>	<u>2008</u>
Amounts recognized in the consolidated balance sheets consist of:		
Accrued benefit liability	<u>\$ 5,473,484</u>	<u>\$ 4,739,772</u>
Amounts recognized in unrestricted net assets consist of:		
Prior service cost	\$ 957,556	\$ 1,037,457
Actuarial net gain	<u>2,306,464</u>	<u>2,735,622</u>
	<u>\$ 3,264,020</u>	<u>\$ 3,773,079</u>
Amounts expected to be amortized from unrestricted net assets next fiscal year:		
Prior service cost	\$ 79,901	\$ 79,901
Net actuarial gain	<u>127,528</u>	<u>163,959</u>
	<u>\$ 207,429</u>	<u>\$ 243,860</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE G (continued)

The assumed health care trend rates have a significant effect on the amounts reported for health care plans. A one-percentage-point change in the health care cost trend rates would have the following effects:

	<u>One-Percentage Point Increase</u>	<u>One-Percentage Point Decrease</u>
Effect on total of service and interest cost components	\$ 119,147	\$ (100,139)
Effect on post-retirement benefit obligation	\$ 964,078	\$ (820,517)

NOTE H - GRANTS PAYABLE, NET

The following summarizes the changes in grants payable during 2009 and 2008:

	<u>2009</u>	<u>2008</u>
Balance, beginning of year:		
DDCF	\$ 64,442,399	\$ 76,863,055
DDFIA	1,999,430	1,420,071
Present value discount	<u>(708,369)</u>	<u>(2,732,753)</u>
	<u>65,733,460</u>	<u>75,550,373</u>
Additions:		
Grants authorized:		
DDCF	78,801,056	68,315,903
DDF	-	160,000
DDFIA	54,400	2,639,130
Present value discount	<u>(1,826,655)</u>	<u>(410,635)</u>
	<u>77,028,801</u>	<u>70,704,398</u>
Deductions:		
Payments made:		
DDCF	(61,580,312)	(80,689,059)
DDF	-	(160,000)
DDFIA	(1,510,999)	(2,059,771)
Amortization of present value discount	<u>372,292</u>	<u>2,435,019</u>
	<u>(62,719,019)</u>	<u>(80,473,811)</u>
Net rescinded grants:		
DDCF	<u>(302,970)</u>	<u>(47,500)</u>
	<u>(302,970)</u>	<u>(47,500)</u>

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE H (continued)

	<u>2009</u>	<u>2008</u>
Balance, end of year:		
DDCF	\$ 81,360,173	\$ 64,442,399
DDFIA	542,831	1,999,430
Present value discount	<u>(2,162,732)</u>	<u>(708,369)</u>
	<u>\$ 79,740,272</u>	<u>\$ 65,733,460</u>

The Foundation's grant commitments at December 31, 2009 and 2008 were discounted to present value by applying interest rate factors of 1.5% and 0.92%, respectively.

In 2009 and 2008, grants in the amount of \$602,375 and \$108,921, respectively, were refunded and netted with grants expense in the consolidated statements of activities.

Grants authorized but unpaid at December 31, 2009 are payable as follows:

<u>Year payable</u>	<u>Amount</u>
2010	\$ 34,689,655
2011	19,471,483
2012	13,016,706
2013	8,203,945
2014	4,810,649
2015	<u>1,710,566</u>
	81,903,004
Less: present value discount	<u>(2,162,732)</u>
	<u>\$ 79,740,272</u>

NOTE I - INCOME TAXES

DDCF and DDF are generally subject to a federal excise tax of 2% on their net investment income under Section 4940(a) and to federal and state income tax on their unrelated business taxable income at standard corporate rates.

Section 4940(e) provides for a reduction of the federal excise tax to 1% if DDCF and DDF make sufficient qualifying distributions. Based on projected cash spending, and a decline in each entity's investment portfolio, DDCF and DDF qualified for the reduced 1% tax for 2009 and 2008. During fiscal 2009, DDCF received a refund of its 2008 federal excise taxes in the amount of \$1,970,640, net of a refund of \$912. DDCF and DDF are projecting a current excise tax expense that is immaterial for fiscal 2009.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE I (continued)

For the years ended December 31, 2009 and 2008, DDCF and DDF incurred unrelated business income tax, for federal and state purposes, of an immaterial amount.

DDCF and DDF are required to recognize a deferred income tax provision based on cumulative unrealized gains on investments. The deferred excise tax provision is calculated assuming a 2% excise tax rate and is based on projected gains that assume complete liquidation of all assets. The deferred federal excise tax liability at December 31, 2009 and 2008 was \$3,448,481 and \$0, respectively. For the year ended December 31, 2009, DDCF and DDF incurred unrealized gains of \$172,424,026, which resulted in a deferred tax liability of \$3,448,481. For the year ended December 31, 2008, the value of DDCF's and DDF's investment portfolios did not exceed their cost, thereby resulting in a net investment loss and a deferred tax liability of \$0.

The provision for current federal excise tax is comprised of the following:

	<u>2009</u>	<u>2008</u>
Current federal excise tax	\$ 149,955	\$ 2,580,660
Federal excise tax refund	(1,971,552)	(1,282,911)
Provision (benefit) for unrelated business income taxes	<u>909</u>	<u>(7,131)</u>
Total current (benefit) provision for income taxes	<u>\$ (1,820,688)</u>	<u>\$ 1,290,618</u>

“Accounting for Uncertainty in Income Taxes” addresses financial accounting and reporting for income taxes with the objective of increasing relevance and comparability. This standard requires a new approach that changes how an organization recognizes, measures and discloses in its financial statements tax benefits associated with related uncertain income tax positions. Only tax positions meeting the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption of this standard. The standard’s scope excludes guidance on other taxes such as value-added tax, sales and property taxes.

DDCF and DDF were required to adopt this standard for the year ending December 31, 2009 and have determined that it did not have a material impact on the accompanying 2009 consolidated financial statements.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE J - 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, RI. In accordance with the Last Will and Testament of Doris Duke, in 1999, NRF received certain real and personal property located in Newport, RI, 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. Annually, DDCF’s Board of Trustees approves a grant to fund the operations of Rough Point. During 2009 and 2008, NRF was awarded \$2,000,000 and \$2,437,000, respectively, from DDCF.

NOTE K - LEASE COMMITMENT

DDMF leases its office space located on the 18th and 19th floors of 650 Fifth Avenue, New York, NY. The existing 19th floor lease agreement was amended in 2005 (the “2005 Amendment”) to include the rental of a portion of the 18th floor and to extend the expiration date of the original lease for the 19th floor. The 2005 Amendment expires on June 30, 2016.

Certain of the Foundation’s operating leases contain annual escalations. In accordance with US GAAP, rent expense is recognized on a straight-line basis, including future rent escalations, over the life of the lease rather than in accordance with the actual lease payments. Deferred rent expense represents the adjustment to future rents as a result of applying the straight-line method.

Future minimum rental commitments under this operating lease are as follows:

<u>Year ending December 31:</u>	<u>Amount</u>
2010	\$ 734,577
2011	754,980
2012	797,909
2013	806,495
2014	806,495
2015-2016	<u>1,209,742</u>
	<u>\$ 5,110,198</u>

Rent expense for 2009 and 2008 totaled approximately \$746,000 and \$713,000, respectively.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE L - PENSION PLANS

DDMF sponsors a 401(a) profit sharing plan with a 401(k) feature. Employees may elect to have pretax employee contributions made to their 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 2009 and 2008 totaled \$1,205,744 and \$1,231,029, respectively. Participants are immediately vested in their employee contributed account balance and in the employer's contribution portion, if actively employed on December 31st, and all earnings thereon. Effective January 1, 2010, the Foundation converted to a non-elective contribution safe harbor 401(k) plan design. Under this new design, participants are immediately vested in their employee contributed account balance and in the employer's contribution portion and all earnings thereon, regardless of whether the employee is actively employed on December 31st. Further, under the new plan design, the Foundation is required to make a contribution equal to at least 3% of compensation of all eligible non-highly compensated employees, and highly compensated employees if desired, regardless of whether an employee makes employee contributions.

DDMF 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 401(k) qualified retirement plan established by DDMF. The Supplemental Plan is an unfunded (nonqualified) retirement plan which permits the employer to defer 15% of compensation, at the employees' direction, in excess of the Code's 401(a)(17) limitation for eligible employees. Pension expense relative to the Supplemental Plan was approximately \$67,000 and \$106,000 in 2009 and 2008, respectively. The annual limitation used in calculating the 2009 and 2008 pension expense was \$245,000 and \$230,000, respectively.

In 2006, DDMF adopted a 457(b) deferred compensation plan to provide certain employees of the Foundation with the benefit of additional tax-deferred retirement savings opportunities. The annual 457(b) deferral limitation for 2009 and 2008 was \$16,500 and \$15,500, respectively. This plan is entirely funded by employee salary deferrals.

NOTE M - BONDS PAYABLE

New Jersey Economic Development Authority, Economic Development Bonds (Duke Farms Foundation Project) – Series 2009A and 2009B

On May 28, 2009, DFF borrowed \$55,000,000, guaranteed by DDCF, to finance the renovation of numerous existing buildings, the acquisition of machinery and equipment and the construction of landscaping improvements, on approximately 500 acres of land, for a visitor orientation center, offices,

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE M (continued)

greenhouses and related facilities to be used for ecological, agricultural and horticultural education, restoration, preservation and enjoyment, located in the municipality of Hillsborough, County of Somerset in the State of New Jersey.

The \$30,000,000 Series 2009A bonds were initially issued at a daily rate of interest with a standby letter of credit from Northern Trust Bank providing a liquidity facility. The interest rate on the Series 2009A variable rate bonds ranged between 0.08% and 0.28% during fiscal 2009. Concurrent with the issuance of the Series 2009A bonds, DFF entered into an interest rate swap agreement for the notional amount of \$30,000,000 with Deutsche Bank in order to synthetically fix its variable rate issuance as a hedge against interest rate volatility. Under the terms of the agreement, DFF agreed to pay Deutsche Bank a fixed rate of interest equal to 2.665% on the Series 2009A bonds, and to receive from Deutsche Bank a payment equal to 68% of the 3-month LIBOR (0.1745% at December 31, 2009). The interest rate received by DFF is reset on a daily basis.

The swap agreement expires coincident with the maturity of the bonds on July 1, 2048. The estimated fair value of the swap at December 31, 2009 was \$2,129,769, and has been reflected as a liability on the accompanying 2009 consolidated balance sheet. The unrealized loss due to the change in value of the swap agreement amounted to \$2,129,769 for the year ended December 31, 2009, and was included on the 2009 consolidated statement of activities.

The \$25,000,000 Series 2009B bonds were issued at a 5.00% coupon rate priced at 102.789% to yield 4.84% on May 14, 2009. The Series 2009B bonds were issued at a premium of \$697,250, resulting in net proceeds from the Series 2009A and 2009B bonds to DFF of \$55,697,250. The bond premium is being amortized using the effective interest method over the term of the bonds. Amortization of the bond premium totaled \$3,704 for the year ended December 31, 2009.

In conjunction with the bond financing, DDCF received underlying ratings of "AAA" from Standard & Poor's and "Aaa" from Moody's.

During fiscal 2009, interest expense relating to the Series 2009 A and B bonds was \$30,476 and \$739,583, respectively, of which \$69,066 was capitalized.

As described above, DFF entered into an interest rate swap agreement relating to its variable rate bond issuance, wherein DFF agreed to pay the counterparty (Deutsche Bank) a fixed interest rate and the counterparty agreed to pay DFF a variable interest rate intended to approximate the variable rate on DFF bonds. DFF's swap is considered a Level 2 instrument within the fair value hierarchy. The fair value of the swap as described above is based upon the expected future cash flows discounted at a current market rate. For swaps that have collateral provisions no credit spread is utilized when computing the value.

Doris Duke Charitable Foundation and Related Entities

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

December 31, 2009 and 2008

NOTE M (continued)

Deposits held with its bond trustee are held in government fixed income securities, are recorded at fair value, and are classified as Level 1 within the fair value hierarchy at December 31, 2009. The Foundation had no lifetime to date excess investment return, based on IRS arbitrage bond yield limitations, as of December 31, 2009.

NOTE N - SUBSEQUENT EVENTS

In May 2009, the FASB issued "Subsequent Events" to incorporate the accounting and disclosure requirements for subsequent events into US GAAP. This standard introduces new terminology, defines a date through which management must evaluate subsequent events, and lists the circumstances under which an entity must recognize and disclose events or transactions occurring after the balance sheet date. The Foundation adopted the standard as of December 31, 2009, which was the required effective date.

The Foundation evaluated its December 31, 2009 consolidated financial statements for subsequent events through June 9, 2010, the date the consolidated financial statements were issued. Except as disclosed below and in Notes D and L, the Foundation is not aware of any other subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements.

On January 28, 2010, DFF received \$2,625,200 from the U.S. Department of Agriculture's Natural Resources Conservation Service for easements (encompassing 528 acres) granted under the Wetland Reserve Program and the Emergency Watershed Protection Program. These easements represent the purchase and subsequent surrendering of all development rights for this land by DFF. These easements payments have been reflected as a reduction in the cost basis of the land in fiscal 2010.

In February 2010, the death of a beneficiary of a significant charitable remainder annuity trust was reported to U.S. Trust. In accordance with Doris Duke's Last Will and Testament, the Foundation is the remainderman beneficiary and, thus, will receive the distribution of the remaining fair market value of this annuity trust. The Foundation's beneficial interest in this trust based upon published IRS discount rates was \$3,526,267 as of December 31, 2009. The Foundation expects to receive approximately \$9.0 million, which represents the fair value of the underlying investments in this annuity trust.

SUPPLEMENTARY INFORMATION

Doris Duke Charitable Foundation and Related Entities
CONSOLIDATING BALANCE SHEET INFORMATION

As of December 31, 2009

<u>ASSETS</u>	Doris Duke Charitable Foundation	Doris Duke Foundation	Duke Farms Foundation	Doris Duke Management Foundation	Doris Duke Foundation for Islamic Art	Subtotal	Elimination Entries	Total
Cash and cash equivalents	\$ 31,982,483	\$ 164,144	\$ (237,456)	\$ (54,930)	\$ (75,220)	\$ 31,779,021	\$ -	\$ 31,779,021
Prepaid expenses, deferred charges and other receivables	136,462	28,990	1,114,936	476,228	605,353	2,361,969	(685,688)	1,676,281
Contributions receivable from Estate of Doris Duke	2,459,430	-	-	-	-	2,459,430	-	2,459,430
Deposits held with bond trustee	-	-	50,353,140	-	-	50,353,140	-	50,353,140
Investments	1,484,844,833	4,873,241	80,912	-	-	1,489,798,986	-	1,489,798,986
Beneficial interest in trusts held by others	5,183,167	-	-	-	-	5,183,167	-	5,183,167
Due from related entities	26,266	-	259,972	5,220,925	-	5,507,163	(5,507,163)	-
Personalty	381,470	23,262	1,000	-	-	405,732	-	405,732
Property and equipment, net	-	-	55,294,695	1,902,254	31,687,095	88,884,044	-	88,884,044
Total assets	<u>\$ 1,525,014,111</u>	<u>\$ 5,089,637</u>	<u>\$ 106,867,199</u>	<u>\$ 7,544,477</u>	<u>\$ 32,217,228</u>	<u>\$ 1,676,732,652</u>	<u>\$ (6,192,851)</u>	<u>\$ 1,670,539,801</u>
<u>LIABILITIES AND NET ASSETS</u>								
Liabilities:								
Accounts payable and accrued expenses	\$ 1,277,384	\$ 38,569	\$ 2,119,865	\$ 2,657,218	\$ 553,493	\$ 6,646,529	\$ -	\$ 6,646,529
Accrued interest payable	-	-	744,622	-	-	744,622	-	744,622
Grants payable, net	79,740,272	142,857	-	-	542,831	80,425,960	(685,688)	79,740,272
Due to related entities	3,913,149	198,156	1,158,050	-	237,808	5,507,163	(5,507,163)	-
Deferred federal and state excise taxes payable	3,448,481	-	-	-	-	3,448,481	-	3,448,481
Interest rate swap agreement	-	-	2,129,769	-	-	2,129,769	-	2,129,769
Post-retirement benefit obligation	-	-	3,158,133	1,207,546	1,107,805	5,473,484	-	5,473,484
Bonds payable	-	-	55,693,546	-	-	55,693,546	-	55,693,546
Total liabilities	<u>88,379,286</u>	<u>379,582</u>	<u>65,003,985</u>	<u>3,864,764</u>	<u>2,441,937</u>	<u>160,069,554</u>	<u>(6,192,851)</u>	<u>153,876,703</u>
Net assets - unrestricted	<u>1,436,634,825</u>	<u>4,710,055</u>	<u>41,863,214</u>	<u>3,679,713</u>	<u>29,775,291</u>	<u>1,516,663,098</u>	<u>-</u>	<u>1,516,663,098</u>
Total liabilities and net assets	<u>\$ 1,525,014,111</u>	<u>\$ 5,089,637</u>	<u>\$ 106,867,199</u>	<u>\$ 7,544,477</u>	<u>\$ 32,217,228</u>	<u>\$ 1,676,732,652</u>	<u>\$ (6,192,851)</u>	<u>\$ 1,670,539,801</u>

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.

Doris Duke Charitable Foundation and Related Entities
CONSOLIDATING BALANCE SHEET INFORMATION

As of December 31, 2008

<u>ASSETS</u>	Doris Duke Charitable Foundation	Doris Duke Foundation	Duke Farms Foundation	Doris Duke Management Foundation	Doris Duke Foundation for Islamic Art	Subtotal	Elimination Entries	Total
Cash and cash equivalents	\$ 92,833,772	\$ 178,588	\$ (247,819)	\$ (275,594)	\$ (69,732)	\$ 92,419,215	\$ -	\$ 92,419,215
Prepaid expenses, deferred charges and other receivables	127,812	-	270,724	476,985	2,091,455	2,966,976	(2,139,059)	827,917
Investments	1,267,871,992	3,992,492	-	-	-	1,271,864,484	-	1,271,864,484
Beneficial interest in trusts held by others	3,702,272	-	-	-	-	3,702,272	-	3,702,272
Due from related entities	26,266	-	259,972	4,588,960	-	4,875,198	(4,875,198)	-
Personalty	946,432	278,542	61,800	-	-	1,286,774	-	1,286,774
Property and equipment, net	-	-	52,960,032	2,434,087	31,419,073	86,813,192	-	86,813,192
Total assets	<u>\$ 1,365,508,546</u>	<u>\$ 4,449,622</u>	<u>\$ 53,304,709</u>	<u>\$ 7,224,438</u>	<u>\$ 33,440,796</u>	<u>\$ 1,463,928,111</u>	<u>\$ (7,014,257)</u>	<u>\$ 1,456,913,854</u>
<u>LIABILITIES AND NET ASSETS</u>								
Liabilities:								
Accounts payable and accrued expenses	\$ 992,809	\$ 40,165	\$ 1,758,547	\$ 2,561,536	\$ 290,782	\$ 5,643,839	\$ -	\$ 5,643,839
Due to related entities	3,280,240	199,100	1,158,050	-	237,808	4,875,198	(4,875,198)	-
Grants payable, net	65,749,817	139,635	-	-	1,983,067	67,872,519	(2,139,059)	65,733,460
Post-retirement benefit obligation	-	-	2,803,238	983,187	953,347	4,739,772	-	4,739,772
Total liabilities	<u>70,022,866</u>	<u>378,900</u>	<u>5,719,835</u>	<u>3,544,723</u>	<u>3,465,004</u>	<u>83,131,328</u>	<u>(7,014,257)</u>	<u>76,117,071</u>
Net assets - unrestricted	<u>1,295,485,680</u>	<u>4,070,722</u>	<u>47,584,874</u>	<u>3,679,715</u>	<u>29,975,792</u>	<u>1,380,796,783</u>	<u>-</u>	<u>1,380,796,783</u>
Total liabilities and net assets	<u>\$ 1,365,508,546</u>	<u>\$ 4,449,622</u>	<u>\$ 53,304,709</u>	<u>\$ 7,224,438</u>	<u>\$ 33,440,796</u>	<u>\$ 1,463,928,111</u>	<u>\$ (7,014,257)</u>	<u>\$ 1,456,913,854</u>

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.

Doris Duke Charitable Foundation and Related Entities

CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2009

	Doris Duke Charitable Foundation	Doris Duke Foundation	Duke Farms Foundation	Doris Duke Management Foundation	Doris Duke Foundation for Islamic Art	Subtotal	Elimination Entries	Total
Revenues:								
Investment income:								
Dividends	\$ 6,497,025	\$ 80,983	\$ -	\$ -	\$ -	\$ 6,578,008	\$ -	\$ 6,578,008
Interest	12,696,767	40,029	546,371	-	-	13,283,167	-	13,283,167
	19,193,792	121,012	546,371	-	-	19,861,175	-	19,861,175
Less:								
Investment expenses	(4,821,882)	(20,855)	-	-	-	(4,842,737)	-	(4,842,737)
Refund of federal and state excise taxes	1,970,643	-	-	(3)	-	1,970,640	-	1,970,640
Net investment income	16,342,553	100,157	546,371	(3)	-	16,989,078	-	16,989,078
Change in value of beneficial interest in trusts held by others	1,480,895	-	-	-	-	1,480,895	-	1,480,895
Residual interest in Estate of Doris Duke	2,459,430	-	-	-	-	2,459,430	-	2,459,430
Contributions from related organizations	-	-	8,096,678	-	4,141,361	12,238,039	(12,238,039)	-
Management fees	-	-	-	12,962,921	-	12,962,921	(12,962,921)	-
Other revenues	659,139	25,397	46,792	2	19,294	750,624	-	750,624
Total revenues	20,942,017	125,554	8,689,841	12,962,920	4,160,655	46,880,987	(25,200,960)	21,680,027
Expenses:								
Grants	88,663,024	-	-	-	70,763	88,733,787	(12,238,039)	76,495,748
Program	904,536	119,918	10,088,842	7,715,151	3,280,770	22,109,217	-	22,109,217
Administration	-	-	-	5,247,771	-	5,247,771	-	5,247,771
Management fees	9,634,114	126,294	2,192,890	-	1,009,623	12,962,921	(12,962,921)	-
Total expenses	99,201,674	246,212	12,281,732	12,962,922	4,361,156	129,053,696	(25,200,960)	103,852,736
Decrease in net assets before investment gains and change in value of interest rate swap agreement	(78,259,657)	(120,658)	(3,591,891)	(2)	(200,501)	(82,172,709)	-	(82,172,709)
Investment gains (losses):								
Net realized losses	(13,140,096)	(562,513)	-	-	-	(13,702,609)	-	(13,702,609)
Net unrealized gains	232,548,898	1,322,504	-	-	-	233,871,402	-	233,871,402
Net investment gains	219,408,802	759,991	-	-	-	220,168,793	-	220,168,793
Change in value of interest rate swap agreement	-	-	(2,129,769)	-	-	(2,129,769)	-	(2,129,769)
Increase (decrease) in net assets	141,149,145	639,333	(5,721,660)	(2)	(200,501)	135,866,315	-	135,866,315
Net assets - unrestricted, beginning of year	1,295,485,680	4,070,722	47,584,874	3,679,715	29,975,792	1,380,796,783	-	1,380,796,783
Net assets - unrestricted, end of year	\$ 1,436,634,825	\$ 4,710,055	\$ 41,863,214	\$ 3,679,713	\$ 29,775,291	\$ 1,516,663,098	\$ -	\$ 1,516,663,098

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.

Doris Duke Charitable Foundation and Related Entities
 CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2008

	Doris Duke Charitable Foundation	Doris Duke Foundation	Duke Farms Foundation	Doris Duke Management Foundation	Doris Duke Foundation for Islamic Art	Subtotal	Elimination Entries	Total
Revenues:								
Investment income:								
Dividends	\$ 13,880,794	\$ 109,112	\$ -	\$ -	\$ -	\$ 13,989,906	\$ -	\$ 13,989,906
Interest	6,875,910	62,052	-	29	-	6,937,991	-	6,937,991
	<u>20,756,704</u>	<u>171,164</u>	<u>-</u>	<u>29</u>	<u>-</u>	<u>20,927,897</u>	<u>-</u>	<u>20,927,897</u>
Less:								
Investment expenses	(5,879,069)	(17,382)	-	(180)	(30)	(5,896,661)	-	(5,896,661)
(Provision for) refund of federal and state taxes	(1,292,045)	-	-	1,427	-	(1,290,618)	-	(1,290,618)
Net investment income (loss)	<u>13,585,590</u>	<u>153,782</u>	<u>-</u>	<u>1,276</u>	<u>(30)</u>	<u>13,740,618</u>	<u>-</u>	<u>13,740,618</u>
Change in value of beneficial interest in trusts held by others	(5,233,756)	-	-	-	-	(5,233,756)	-	(5,233,756)
Contributions from related organizations	-	-	14,979,431	-	7,308,261	22,287,692	(22,287,692)	-
Management fees	-	-	-	14,919,826	-	14,919,826	(14,919,826)	-
Other revenues	(85,421)	-	290,113	(1,277)	704,157	907,572	(693,545)	214,027
Total revenues	<u>8,266,413</u>	<u>153,782</u>	<u>15,269,544</u>	<u>14,919,825</u>	<u>8,012,388</u>	<u>46,621,952</u>	<u>(37,901,063)</u>	<u>8,720,889</u>
Expenses:								
Grants	92,450,554	160,000	-	-	2,660,128	95,270,682	(22,287,692)	72,982,990
Program	1,618,223	91,641	10,579,937	8,623,613	4,177,838	25,091,252	(693,545)	24,397,707
Administration	-	-	-	6,296,211	-	6,296,211	-	6,296,211
Management fees	10,812,187	125,214	2,726,556	-	1,255,869	14,919,826	(14,919,826)	-
Total expenses	<u>104,880,964</u>	<u>376,855</u>	<u>13,306,493</u>	<u>14,919,824</u>	<u>8,093,835</u>	<u>141,577,971</u>	<u>(37,901,063)</u>	<u>103,676,908</u>
(Decrease) increase in net assets before investment losses	<u>(96,614,551)</u>	<u>(223,073)</u>	<u>1,963,051</u>	<u>1</u>	<u>(81,447)</u>	<u>(94,956,019)</u>	<u>-</u>	<u>(94,956,019)</u>
Investment losses:								
Net realized losses	(77,607,442)	(224,857)	-	-	-	(77,832,299)	-	(77,832,299)
Net unrealized losses	(481,257,932)	(1,924,144)	-	-	-	(483,182,076)	-	(483,182,076)
Net investment losses	<u>(558,865,374)</u>	<u>(2,149,001)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(561,014,375)</u>	<u>-</u>	<u>(561,014,375)</u>
(Decrease) increase in net assets	<u>(655,479,925)</u>	<u>(2,372,074)</u>	<u>1,963,051</u>	<u>1</u>	<u>(81,447)</u>	<u>(655,970,394)</u>	<u>-</u>	<u>(655,970,394)</u>
Net assets - unrestricted, beginning of year	1,950,965,605	6,442,796	45,621,823	3,679,714	30,057,239	2,036,767,177	-	2,036,767,177
Net assets - unrestricted, end of year	<u>\$ 1,295,485,680</u>	<u>\$ 4,070,722</u>	<u>\$ 47,584,874</u>	<u>\$ 3,679,715</u>	<u>\$ 29,975,792</u>	<u>\$ 1,380,796,783</u>	<u>\$ -</u>	<u>\$ 1,380,796,783</u>

The accompanying consolidated financial statements and notes thereto are an integral part of this consolidating schedule.