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, 2008 and 2007

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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, 2008 and 2007 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, 2008 and 2007 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.

As disclosed in Note M to the consolidated financial statements, the Foundation restated its net assets as of January 1, 2007.

Grant Thornton LLP

New York, New York
August 27, 2009

Doris Duke Charitable Foundation and Related Entities

## CONSOLIDATED BALANCE SHEETS

As of December 31, 2008 and 2007

| ASSETS | **2008** | 2007 (As Restated) |
|---|---|---|
| Cash and cash equivalents | **$ 92,419,215** | $ 11,966,960 |
| Prepaid expenses and other receivables | **827,917** | 856,230 |
| Investments (Note C) | **1,271,864,484** | 2,016,412,916 |
| Beneficial interest in trusts held by others | **3,702,272** | 9,664,116 |
| Personalty (Note E) | **1,286,774** | 2,182,080 |
| Property and equipment, net (Note F) | **86,813,192** | 84,473,106 |
| Collectibles (Note M) | **-** | - |
| Total assets | **$ 1,456,913,854** | $ 2,125,555,408 |
| LIABILITIES AND NET ASSETS | | |
| Liabilities: | | |
| Accounts payable and accrued expenses | **$ 5,643,839** | $ 5,364,284 |
| Grants payable, net (Note H) | **65,733,460** | 75,550,373 |
| Postretirement benefit obligation (Note G) | **4,739,772** | 3,654,873 |
| Deferred federal and state excise taxes payable (Note I) | **-** | 4,218,701 |
| Total liabilities | **76,117,071** | 88,788,231 |
| Net assets - unrestricted | **1,380,796,783** | 2,036,767,177 |
| Total liabilities and net assets | **$ 1,456,913,854** | $ 2,125,555,408 |

*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, 2008 and 2007

| | **2008** | 2007 (As Restated) |
|---|---|---|
| Revenues: | | |
| Investment income: | | |
| Dividends | **$ 13,989,906** | $ 16,429,640 |
| Interest | **6,937,991** | 8,613,281 |
| | **20,927,897** | 25,042,921 |
| Less: | | |
| Investment expenses | **(5,896,661)** | (5,039,868) |
| Provision for federal and state excise taxes (Note I) | **(1,290,618)** | (1,252,313) |
| Net investment income | **13,740,618** | 18,750,740 |
| Change in value of beneficial interest in trusts held by others | **(5,233,756)** | 1,109,020 |
| Distribution from the Estate of Doris Duke (Note D) | **-** | 520,000 |
| Other revenues | **214,027** | 760,814 |
| Total revenues | **8,720,889** | 21,140,574 |
| Expenses: | | |
| Grants | **72,982,990** | 107,925,298 |
| Program | **24,397,707** | 22,539,677 |
| Administration | **6,296,211** | 5,862,133 |
| Total expenses | **103,676,908** | 136,327,108 |
| Decrease in net assets before investment gains (losses) and effect of adoption of SFAS No. 158 recognition provisions | **(94,956,019)** | (115,186,534) |
| Investment (losses) gains: | | |
| Net realized (losses) gains | **(77,832,299)** | 177,594,079 |
| Net unrealized (losses) gains (Note I) | **(483,182,076)** | 34,507,026 |
| Net investment (losses) gains | **(561,014,375)** | 212,101,105 |
| Effect of adoption of SFAS No. 158 recognition provisions (Note G) | **-** | 4,789,470 |
| (Decrease) increase in net assets | **(655,970,394)** | 101,704,041 |
| Net assets - unrestricted, beginning of year, as restated (Note M) | **2,036,767,177** | 1,935,063,136 |
| Net assets - unrestricted, end of year | **$ 1,380,796,783** | $ 2,036,767,177 |

*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, 2008 and 2007

| | **2008** | 2007 (As Restated) |
|---|---|---|
| Cash flows from operating activities: | | |
| (Decrease) increase in net assets | **$ (655,970,394)** | $ 101,704,041 |
| Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities: | | |
| Effect of adoption of SFAS No. 158 recognition provision | **-** | (4,789,470) |
| Depreciation and amortization | **3,165,387** | 3,011,746 |
| Amortization of present value discount on grants payable | **2,435,019** | 1,624,984 |
| Discount allowance on grants payable | **(410,635)** | (1,994,249) |
| Amount received from a charitable remainder trust in excess of receivable | **-** | (69,844) |
| Distribution from the Estate of Doris Duke | **-** | (520,000) |
| Gifted collectibles | **756,004** | 337,850 |
| Net proceeds from sales of personalty | **52,460** | 89,930 |
| Loss from disposition of personalty | **86,842** | - |
| Loss from disposition of property and equipment | **11,697** | - |
| Net realized and unrealized losses (gains) on investments | **563,912,443** | (208,496,104) |
| Change in value of beneficial interest in trusts held by others | **5,233,756** | (1,039,175) |
| Change in deferred federal and state excise taxes payable | **(4,218,701)** | (3,605,001) |
| Changes in assets and liabilities: | | |
| Decrease in interest, dividend and other receivables | **304,956** | 213,722 |
| Increase in due from brokers | **(50,386,149)** | (26,647,858) |
| Decrease in prepaid expenses | **28,313** | 98,076 |
| Increase in due to brokers | **60,917,813** | 3,289,862 |
| Decrease (increase) in accounts payable and accrued expenses | **279,555** | (916,540) |
| Increase in postretirement benefit obligation | **1,084,899** | 1,016,178 |
| (Decrease) increase in grants payable | **(11,841,297)** | 30,580,948 |
| Net cash used in operating activities | **(84,558,032)** | (106,110,904) |
| Cash flows from investing activities: | | |
| Purchase of investments | **(5,781,557,913)** | (1,250,475,833) |
| Proceeds from sale of investments | **5,951,357,281** | 1,358,766,750 |
| Purchase of property and equipment | **(5,517,420)** | (3,284,430) |
| Proceeds from sale of property and equipment | **250** | - |
| Net cash provided by investing activities | **164,282,198** | 105,006,487 |
| Cash flows from financing activities: | | |
| Amounts received from charitable remainder trusts | **728,089** | 2,126,223 |
| Amounts received from the Estate of Doris Duke | **-** | 520,000 |
| Net cash provided by financing activities | **728,089** | 2,646,223 |
| Net increase in cash and cash equivalents | **80,452,255** | 1,541,806 |
| Cash and cash equivalents, beginning of year | **11,966,960** | 10,425,154 |
| Cash and cash equivalents, end of year | **$ 92,419,215** | $ 11,966,960 |
| Supplemental cash flow information: | | |
| Cash paid for federal and state excise taxes | **$ 1,235,000** | $ 3,748,408 |

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

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2008 and 2007

### 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. 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.

One additional foundation which was established in Delaware in 1934 by Doris Duke during her lifetime, 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 comprising 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 a 700-acre park, a working farm, and gardens. It is used for environmental, agricultural, and horticultural purposes. During 2006, the DFF Board of Trustees approved a resolution for design and costs study based on a refined mission of environmental stewardship for Duke Farms. The thrust of this plan will lead to the ecological restoration of the property, consistent with sound environmental practices. The design process for the property and buildings occurred during 2008 and renovation of existing structures for both public education and administrative use will commence 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.

## 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, Hawaii, which includes a collection of Islamic art. It is used to promote the study and understanding of Islamic art and culture.

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 operating foundation pursuant to an Operating Agreement created at the inception of DDMF for the services performed by DDMF on their behalf.

**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 closing 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.

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, 2008 and 2007, 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, kept as part of

**NOTE B (continued)**

the Foundation's archives or sold. As a result, certain items were gifted to various museums and sold through auction by Christie's in 2008. In 2009, a number of items of personalty will be sold through tertiary auctions and the remaining items will be examined for possible sale or additional gifting to other nonprofit organizations, or otherwise disposed.

3. *Use of Estimates*

The preparation 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 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 benefits obligation; 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 Statement of Financial Accounting Standard ("SFAS") No. 157, "Fair Value Measurements." SFAS No. 157 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. SFAS No. 157 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:

**NOTE B (continued)**

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.

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.

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.

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 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.

**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, 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 in 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 and therefore the Foundation's results of operations.

**NOTE B (continued)**

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 significant investments 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 Foundation's 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.

8. *Beneficial Interest in Trusts Held by Others*

In accordance with Doris Duke's Last Will and Testament, the Foundation 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

**NOTE B (continued)**

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. At December 31, 2008, the Foundation's beneficial interest in trusts held by others was categorized as Level 1 within the fair value hierarchy of SFAS No. 157.

9. *Grants*

Grant awards by the Foundation to recipients are recorded as an expense and a liability when approved by the appropriate board. Such grant commitments are typically made to a recipient over several 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.

11. *Consolidated Statements of Cash Flows*

For purposes of preparing the consolidated statement of cash flows, the Foundation considers investments with 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, 2008 and 2007, the Foundation had $91,074,135 and $7,533,086, respectively, in money market funds which have been classified as cash equivalents. At December 31, 2008, the Foundation's cash equivalents were categorized as Level 1 within the fair value hierarchy of SFAS No. 157.

12. *Financial Instruments*

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

## NOTE C - INVESTMENTS

Investments at December 31, 2008 and 2007 consisted of the following:

| | **2008** | | 2007 | |
|---|---|---|---|---|
| | **Cost** | **Fair Value** | Cost | Fair Value |
| Equity investments | **$ 399,041,145** | **$ 236,305,338** | $ 673,007,211 | $ 757,211,431 |
| Marketable alternative investments | **581,274,338** | **697,049,490** | 566,119,454 | 859,404,424 |
| Nonmarketable alternative investments | **224,564,612** | **214,862,652** | 183,315,231 | 221,480,195 |
| Fixed income | **145,132,145** | **137,914,156** | 175,202,022 | 181,747,398 |
| Subtotal | **1,350,012,240** | **1,286,131,636** | 1,597,643,918 | 2,019,843,448 |
| Interest, dividend and other receivables | **1,389,188** | **1,389,188** | 1,694,144 | 1,694,144 |
| Due to brokers | **(104,835,683)** | **(104,835,683)** | (43,917,870) | (43,917,870) |
| Due from brokers | **89,179,343** | **89,179,343** | 38,793,194 | 38,793,194 |
| Total | **$ 1,335,745,088** | **$ 1,271,864,484** | $ 1,594,213,386 | $ 2,016,412,916 |

Marketable and nonmarketable alternative investments at December 31, 2008 and 2007 consisted of the following:

| | **2008** | | | 2007 | | |
|---|---|---|---|---|---|---|
| | **Number of Funds** | **Cost** | **Fair Value** | Number of Funds | Cost | Fair Value |
| **Alternative investment strategy:** | | | | | | |
| **Marketable alternative investments:** | | | | | | |
| Multi-Strategy | **11** | **$ 245,288,363** | **$ 338,634,463** | 9 | $ 202,730,145 | $ 344,966,913 |
| Equity Long/Short | **13** | **252,218,509** | **290,546,558** | 18 | 297,384,558 | 438,080,374 |
| Distressed/High Yield | **3** | **60,006,738** | **47,561,479** | 2 | 40,000,000 | 47,118,876 |
| Fund of Funds | **1** | **23,760,728** | **20,306,990** | 1 | 26,004,751 | 29,238,261 |
| Total marketable alternative investments | **28** | **581,274,338** | **697,049,490** | 30 | 566,119,454 | 859,404,424 |
| **Nonmarketable alternative investments:** | | | | | | |
| Fund of Funds | **7** | **73,625,460** | **75,813,297** | 6 | 62,580,214 | 70,658,678 |
| Buy-outs/Growth | **14** | **76,633,787** | **67,964,006** | 12 | 61,564,863 | 89,380,087 |
| Venture Capital | **15** | **25,916,684** | **25,084,356** | 12 | 16,461,926 | 16,871,868 |
| Distressed | **4** | **20,219,015** | **13,752,434** | 3 | 15,668,896 | 16,383,829 |
| Real Assets | **4** | **28,169,666** | **32,248,559** | 3 | 27,039,332 | 28,185,733 |
| Total nonmarketable investments | **44** | **224,564,612** | **214,862,652** | 36 | 183,315,231 | 221,480,195 |
| Total alternative investments | **72** | **$ 805,838,950** | **$ 911,912,142** | 66 | $ 749,434,685 | $ 1,080,884,619 |

**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).

## NOTE C (continued)

**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 $12,265,890 and $12,233,290 at December 31, 2008 and 2007, 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.

The following table summarizes investments by SFAS No. 157 levels as of December 31, 2008:

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

The following table summarizes the changes in fair values associated with SFAS No. 157 Level 3 assets for the year ended December 31, 2008:

| | |
|---|---|
| Balance as of December 31, 2007 | $ 1,027,386,490 |
| Purchases, net | 105,309,747 |
| Realized losses | (596,452) |
| Unrealized losses | (220,187,643) |
| Balance as of December 31, 2008 | $ 911,912,142 |

## NOTE C (continued)

All net realized and unrealized losses in the table above are reflected in the accompanying 2008 consolidated statement of activities. Net unrealized gains relate to those investments held by the Foundation at year-end.

## 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.

During 2007, the Foundation received a distribution from the Estate of Doris Duke of $520,000.

## NOTE E - SALE OF COLLECTIBLES

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 collectibles approximate $34,000,000 and have resulted in an approximate net gain of $19,000,000. During 2008 and 2007, the Foundation gifted collectibles in the amount of $756,004 and $337,850, respectively, to museums. The remaining assets held for sale or gift from the Estate of Doris Duke as of December 31, 2008 and 2007, totaled $1,286,774 and $2,182,080, respectively, and are reflected as personalty in the accompanying consolidated balance sheets.

## NOTE F - PROPERTY AND EQUIPMENT, NET

Property and equipment, net, at December 31, 2008 and 2007, consisted of the following:

| | **2008** | 2007 |
|---|---|---|
| Buildings and improvements | **$ 45,391,492** | $ 40,070,755 |
| Furniture and equipment | **13,464,749** | 13,286,991 |
| Leasehold improvements | **3,819,989** | 3,815,489 |
| | **62,676,230** | 57,173,235 |
| Less: accumulated depreciation and amortization | **(28,185,918)** | (25,023,009) |
| | **34,490,312** | 32,150,226 |
| Land | **52,322,880** | 52,322,880 |
| | **$ 86,813,192** | $ 84,473,106 |

## NOTE G - POSTRETIREMENT 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.

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standard No. 158 (“SFAS No. 158”), “Employers’ Accounting for Defined Benefit Pension and Other Postretirement Plans.” The new statement revised the reporting and certain required disclosures for pension and other postretirement plans. SFAS No. 158 required the Foundation to recognize the funded status of its postretirement health plan on its consolidated balance sheet as of December 31, 2007.

The following table details the incremental effect of applying the recognition provisions of SFAS No. 158 for the postretirement plan for the year ended December 31, 2007:

| | Before Adoption of SFAS No. 158 | SFAS No. 158 Adjustment | After Adoption of SFAS No. 158 |
|---|---|---|---|
| Accrued benefit liability | $8,444,343 | $(4,789,470) | $3,654,873 |

## NOTE G (continued)

The actuarial present value of the benefit obligation and the amounts recognized in the accompanying consolidated balance sheets as of December 31, 2008 and 2007 are as follows:

| | 2008 | 2007 |
|---|---|---|
| **Change in benefit obligation:** | | |
| Benefit obligation, beginning of year | $ 3,654,873 | $ 5,903,555 |
| Service cost | 251,548 | 577,246 |
| Interest cost | 235,508 | 346,980 |
| Plan participants' contributions | 5,662 | 4,373 |
| Amendments | - | (2,019,828) |
| Actuarial loss (gain) | 696,412 | (1,031,533) |
| Benefits paid | (104,231) | (125,920) |
| Benefit obligation, end of year | $ 4,739,772 | $ 3,654,873 |
| **Change in plan assets:** | | |
| Fair value of plan assets, beginning of year | $ - | $ - |
| Employer contributions | 98,569 | 121,547 |
| Plan participants' contributions | 5,662 | 4,373 |
| Benefits paid | (104,231) | (125,920) |
| Fair value of plan assets, end of year | $ - | $ - |
| **Components of accrued benefit cost:** | | |
| Funded status | $ (4,739,772) | $ (3,654,873) |
| Unamortized prior service cost | (1,037,457) | (1,117,358) |
| Unamortized actuarial net gain | (2,735,622) | (3,672,112) |
| Accrued benefit cost | $ (8,512,851) | $ (8,444,343) |
| **Components of net periodic benefit cost:** | | |
| Service cost | $ 251,548 | $ 577,246 |
| Interest cost | 235,508 | 346,980 |
| Amortization of unrecognized prior service costs | (319,978) | 213,499 |
| Net periodic postretirement benefit cost | $ 167,078 | $ 1,137,725 |
| Discount rate for benefit obligation, end of year | 5.87% | 6.54% |
| Discount rate for net periodic benefit cost, end of year | 6.54% | 5.90% |

## NOTE G (continued)

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

| Year ending December 31: | Amount |
|---|---|
| 2009 | $ 131,202 |
| 2010 | 168,831 |
| 2011 | 168,164 |
| 2012 | 180,023 |
| 2013 | 216,328 |
| 2014-2018 | 1,552,912 |
| | $ 2,417,460 |

| | **2008** | 2007 |
|---|---|---|
| **Assumed pre-65 medical trend rates at December 31:** | | |
| Health care cost trend rate assumed next year | **10.0%** | 8.5% |
| 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** | 2014 |
| **Assumed post-65 medical trend rates at December 31:** | | |
| Health care cost trend rate assumed next year | **8.0%** | 7.0% |
| 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** | 2012 |
| **Assumed prescription drug trend rates at December 31:** | | |
| Health care cost trend rate assumed next year | **10.0%** | 11.0% |
| 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** | 2014 |

**NOTE G (continued)**

The Foundation does not anticipate applying for the Medicare Part D prescription drug federal subsidy; therefore, the above disclosure does not reflect the impact of Medicare Part D. The Foundation's expense associated with this plan totaled $1,084,900 and $1,016,178 for 2008 and 2007, respectively.

| | **2008** | 2007 |
|---|---|---|
| **Amounts recognized in the consolidated balance sheets consist of:** | | |
| Accrued benefit liability | **$ 4,739,772** | $ 3,654,873 |
| **Amounts recognized in unrestricted net assets consist of:** | | |
| Prior service cost | **$ 1,037,457** | $ 1,117,358 |
| Actuarial net gain | **2,735,622** | 3,672,112 |
| | **$ 3,773,079** | $ 4,789,470 |
| **Amounts expected to be amortized from unrestricted net assets next fiscal year:** | | |
| Prior service cost | **$ 79,901** | $ 79,901 |
| Net actuarial gain | **163,959** | 226,994 |
| | **$ 243,860** | $ 306,895 |

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:

| | **One-Percentage Point Increase** | **One-Percentage Point Decrease** |
|---|---|---|
| Effect on total of service and interest cost components | $ 81,799 | $ (70,646) |
| Effect on postretirement benefit obligation | 805,352 | (689,559) |

## NOTE H - GRANTS PAYABLE, NET

The following summarizes the changes in grants payable during 2008 and 2007:

| | 2008 | 2007 |
|---|---|---|
| Balance, beginning of year: | | |
| DDCF | **$ 76,863,055** | $ 47,358,579 |
| DDFIA | **1,420,071** | 343,600 |
| Present value discount | **(2,732,753)** | (2,363,488) |
| | **75,550,373** | 45,338,691 |
| Additions: | | |
| Grants authorized: | | |
| DDCF | **68,315,903** | 108,180,464 |
| DDF | **160,000** | - |
| DDFIA | **2,639,130** | 2,576,471 |
| Present value discount | **(410,635)** | (1,994,249) |
| | **70,704,398** | 108,762,686 |
| Deductions: | | |
| Payments made: | | |
| DDCF | **(80,689,059)** | (77,766,675) |
| DDF | **(160,000)** | - |
| DDFIA | **(2,059,771)** | (1,500,000) |
| Amortization of present value discount | **2,435,019** | 1,624,984 |
| | **(80,473,811)** | (77,641,691) |
| Net rescinded grants: | | |
| DDCF | **(47,500)** | (909,313) |
| | **(47,500)** | (909,313) |
| Balance, end of year: | | |
| DDCF | **64,442,399** | 76,863,055 |
| DDFIA | **1,999,430** | 1,420,071 |
| Present value discount | **(708,369)** | (2,732,753) |
| | **$ 65,733,460** | $ 75,550,373 |

The Foundation's grant commitments at December 31, 2008 and 2007 were discounted to present value by applying interest rate factors of 0.92% and 3.228%, respectively.

## NOTE H (continued)

In 2008 and 2007, grants in the amount of $108,921and $1,337,371, respectively, were refunded and netted with grants expense in the consolidated statements of activities. In 2008 and 2007, included in net rescinded grants is $0 and $215,688, respectively, of grants returned to DDCF that will be transferred to new grantees.

Grants authorized but unpaid at December 31, 2008 are payable as follows:

| Year payable | Amount |
|---|---|
| 2009 | $ 41,637,908 |
| 2010 | 19,397,801 |
| 2011 | 5,406,120 |
| | 66,441,829 |
| Less: present value discount | (708,369) |
| | $ 65,733,460 |

## NOTE I - TAXES

DDCF and DDF have been granted tax-exempt status under Section 501(c)(3) and, accordingly, are not subject to federal income taxes. Section 4940(a), however, generally imposes a two percent federal excise tax on net investment income. Section 4940(e) provides for a reduction of the federal excise tax to one percent if DDCF and DDF make sufficient qualifying distributions. Based on projected cash spending, primarily due to new initiatives, DDCF qualified for the reduced one percent tax for 2008 and 2007. As a result, DDCF received a refund of its 2007 estimated federal excise taxes in the amount of $1,282,911 that was applied to its 2008 estimated taxes. In addition, DDCF is subject to unrelated business income taxes on certain of its investment earnings. DDCF had an unrelated business income tax credit of approximately $7,100 in 2008 and an unrelated business income tax expense of $660 in 2007.

The accompanying consolidated financial statements reflect provisions for current and deferred federal excise taxes and unrelated business income taxes. The provision for federal excise tax consists of a current provision on net investment income and a deferred provision based on the unrealized gains or losses on investments at a one percent rate.

**NOTE I (continued)**

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

| | **2008** | 2007 |
|---|---|---|
| Current federal excise tax | **$ 2,580,660** | $ 3,607,409 |
| Federal excise tax refund | **(1,282,911)** | (2,355,756) |
| (Credit) provision for unrelated business income taxes | **(7,131)** | 660 |
| Total current provision for taxes | **$ 1,290,618** | $ 1,252,313 |

The deferred federal excise tax liability at December 31, 2008 and 2007 was $0 and $4,218,701, respectively. For the year ended December 31, 2008, the Foundation incurred unrealized losses of $56,942,250, which resulted in a deferred tax liability of $0 at December 31, 2008.

In addition, Code Section 4942 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, 2008 and 2007, the Foundation had minimum distribution requirements of approximately $88,000,000 and $95,000,000, respectively. Management plans to satisfy these minimum distribution requirements principally through grant disbursements.

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes – an Interpretation of FASB No. 109" ("FIN 48"). FIN 48 prescribes a threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. 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 interpretation. FIN 48 also provides guidance on accounting for derecognition, interest and penalties, and classification and disclosure of matters related to uncertainty in income taxes. FIN 48 is effective for fiscal years beginning after December 15, 2008. FIN 48 will require adjustment to the opening net assets in the balance sheet for the cumulative effect of the difference in the net amount of assets and liabilities for all open tax positions not meeting the more-likely-than-not recognition threshold at the effective date. The Foundation is assessing the impact, if any, the adoption of FIN 48 will have on its consolidated balance sheet, changes in net assets, and cash flows. However, as per FASB Staff Position ("FSP") FIN 48-3, "Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises," the Foundation has elected to defer the effective date of FIN 48 until fiscal 2009.

## 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, Rhode Island. NRF currently owns 75 properties (not including Rough Point), of which 72 are historic homes rented to the general public. 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. Annually, DDCF's Board of Trustees approves a grant to fund the operations of Rough Point. During 2008 and 2007, NRF was awarded $2,437,000 and $2,388,750, 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, New York. 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 U.S. generally accepted accounting principles, 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 these operating leases are as follows:

| Year ending December 31: | Amount |
|---|---|
| 2009 | $ 734,577 |
| 2010 | 734,577 |
| 2011 | 754,980 |
| 2012 | 797,909 |
| 2013 | 806,495 |
| 2014-2016 | 2,016,237 |
| | $ 5,844,775 |

**NOTE K (continued)**

Rent expense for 2008 and 2007 totaled approximately $713,000 and $549,000, respectively.

**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 2008 and 2007 totaled $1,231,029 and $1,246,621, respectively. Participants are immediately vested in their employee contributed account balance and in the employer's contribution portion, if actively employed on December 31, and all earnings thereon.

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 $106,000 and $90,000 in 2008 and 2007, respectively. The annual limitation used in calculating the 2008 and 2007 pension expense was $230,000 and $225,000, 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 in 2008 was $15,500. This plan is entirely funded by employee salary deferrals.

**NOTE M - CHANGE IN ACCOUNTING PRINCIPLE**

Financial Accounting Standard No. 116 ("SFAS No. 116"), "Accounting for Contributions Received and Contributions Made," permits entities to not recognize collections of historical treasures, works of art, and other similar items ("collectibles") in their financial statements when certain conditions are met. The Foundation's collectibles meet the conditions specified in SFAS No. 116. Accordingly, during the year ended December 31, 2008, the Foundation's management decided to derecognize its collectibles in its consolidated financial statements, which have previously been capitalized.

**NOTE M (continued)**

In accordance with Financial Accounting Standard No. 154, “Accounting Changes and Error Corrections,” a change in accounting principle requires that the change be made retrospectively. Retrospective application requires that the cumulative effect of the change to the new accounting principle on periods to those presented be reflected in the carrying amounts of the assets and liabilities as of the beginning of the first period presented and an offsetting adjustment be made to the opening net assets of the first period presented. Prior periods presented will also be adjusted to reflect the period specific effects of applying the newly adopted accounting principle. Management’s justification for the change in accounting principle is that the collectibles are not deemed to be saleable or intended to serve as security for any future obligations into which the Foundation may enter and are intended for permanent exhibition. During the year ended December 31, 2008, the Foundation effectuated this change in its 2007 consolidated financial statements, which was permissible under SFAS No. 116, and removed collectibles from its consolidated financial statements. The change in accounting principle resulted in several adjustments to the prior periods presented in the consolidated financial statements. The adjustments are summarized below.

Effect on the consolidated financial statements: Beginning net assets in the consolidated statement of activities for the year ended December 31, 2007, were restated to reflect the removal of collection items in the amount of $8,623,227. The collectibles in the consolidated balance sheet as of December 31, 2007, were also restated to reflect the removal of collectibles in the same amount.

The effects of the above restatements were as follows:

| | As Previously Reported | Adjustments | As Restated |
|---|---|---|---|
| Beginning unrestricted net assets, December 31, 2006: | $1,943,686,363 | $8,623,227 | $1,935,063,136 |
| As of December 31, 2007: | | | |
| Collectibles | $ 10,805,307 | $8,623,227 | $ 2,182,080 |

## NOTE N - SUBSEQUENT EVENT

In May 2009, the Foundation issued an aggregate $55,000,000 of New Jersey Economic Development Authority Economic Development Bonds (Duke Farms Foundation Project) Series 2009A and 2009B 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, 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 and State of New Jersey.

**SUPPLEMENTARY INFORMATION**

**SCHEDULE 1**

Doris Duke Charitable Foundation and Related Entities

**CONSOLIDATING BALANCE SHEET INFORMATION**

As of December 31, 2008

| ASSETS | 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 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 | $ 1,365,508,546 | $ 4,449,622 | $ 53,304,709 | $ 7,224,438 | $ 33,440,796 | $ 1,463,928,111 | $ (7,014,257) | **$ 1,456,913,854** |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| 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** |
| Postretirement benefit obligation | - | - | 2,803,238 | 983,187 | 953,347 | 4,739,772 | | **4,739,772** |
| Deferred federal and state excise taxes payable | - | - | - | - | - | - | - | **-** |
| Total liabilities | 70,022,866 | 378,900 | 5,719,835 | 3,544,723 | 3,465,004 | 83,131,328 | (7,014,257) | **76,117,071** |
| Net assets - unrestricted | 1,295,485,680 | 4,070,722 | 47,584,874 | 3,679,715 | 29,975,792 | 1,380,796,783 | - | **1,380,796,783** |
| Total liabilities and net assets | $ 1,365,508,546 | $ 4,449,622 | $ 53,304,709 | $ 7,224,438 | $ 33,440,796 | $ 1,463,928,111 | $ (7,014,257) | **$ 1,456,913,854** |

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

**SCHEDULE 2**

Doris Duke Charitable Foundation and Related Entities

## CONSOLIDATING BALANCE SHEET INFORMATION

As of December 31, 2007

| ASSETS | Doris Duke Charitable Foundation | Doris Duke Foundation | Duke Farms Foundation | Doris Duke Management Foundation | Doris Duke Foundation for Islamic Art (As Restated) | Subtotal | Elimination Entries | Total (As Restated) |
|---|---|---|---|---|---|---|---|---|
| Cash and cash equivalents | $ 12,263,565 | $ 236,128 | $ (234,954) | $ (281,334) | $ (16,445) | $ 11,966,960 | $ - | $ 11,966,960 |
| Prepaid expenses and other receivables | 305,282 | - | 252,981 | 540,792 | 1,500,716 | 2,599,771 | (1,743,541) | 856,230 |
| Investments | 2,009,938,630 | 6,474,286 | - | - | - | 2,016,412,916 | - | 2,016,412,916 |
| Beneficial interest in trusts held by others | 9,664,116 | - | - | - | - | 9,664,116 | - | 9,664,116 |
| Due from related entities | 1,889,992 | 326,656 | 1,257,141 | 6,198,332 | 9,266 | 9,681,387 | (9,681,387) | - |
| Personalty | 1,835,798 | 284,482 | 61,800 | - | - | 2,182,080 | - | 2,182,080 |
| Property and equipment, net | - | - | 49,862,203 | 3,281,704 | 31,329,199 | 84,473,106 | - | 84,473,106 |
| Total assets | $ 2,035,897,383 | $ 7,321,552 | $ 51,199,171 | $ 9,739,494 | $ 32,822,736 | $ 2,136,980,336 | $ (11,424,928) | $ 2,125,555,408 |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable and accrued expenses | $ 1,495,823 | $ 28,823 | $ 1,142,055 | $ 2,281,651 | $ 415,932 | $ 5,364,284 | $ - | $ 5,364,284 |
| Due to related entities | 3,629,519 | 526,463 | 2,155,219 | 3,123,112 | 247,074 | 9,681,387 | (9,681,387) | - |
| Grants payable, net | 75,587,735 | 323,470 | - | - | 1,382,709 | 77,293,914 | (1,743,541) | 75,550,373 |
| Postretirement benefit obligation | - | - | 2,280,074 | 655,017 | 719,782 | 3,654,873 | - | 3,654,873 |
| Deferred federal and state excise taxes payable | 4,218,701 | - | - | - | - | 4,218,701 | - | 4,218,701 |
| Total liabilities | 84,931,778 | 878,756 | 5,577,348 | 6,059,780 | 2,765,497 | 100,213,159 | (11,424,928) | 88,788,231 |
| Net assets - unrestricted | 1,950,965,605 | 6,442,796 | 45,621,823 | 3,679,714 | 30,057,239 | 2,036,767,177 | - | 2,036,767,177 |
| Total liabilities and net assets | $ 2,035,897,383 | $ 7,321,552 | $ 51,199,171 | $ 9,739,494 | $ 32,822,736 | $ 2,136,980,336 | $ (11,424,928) | $ 2,125,555,408 |

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

**SCHEDULE 3**

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** |
| | 20,756,704 | 171,164 | - | 29 | - | 20,927,897 | - | **20,927,897** |
| Less: | | | | | | | | |
| Investment expenses | (5,879,069) | (17,382) | - | (180) | (30) | (5,896,661) | - | **(5,896,661)** |
| Provision for federal and state taxes | (1,292,045) | - | - | 1,427 | - | (1,290,618) | - | **(1,290,618)** |
| Net investment income (loss) | 13,585,590 | 153,782 | - | 1,276 | (30) | 13,740,618 | - | **13,740,618** |
| 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 | 8,266,413 | 153,782 | 15,269,544 | 14,919,825 | 8,012,388 | 46,621,952 | (37,901,063) | **8,720,889** |
| 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 | 104,880,964 | 376,855 | 13,306,493 | 14,919,824 | 8,093,835 | 141,577,971 | (37,901,063) | **103,676,908** |
| (Decrease) increase in net assets before investment losses | (96,614,551) | (223,073) | 1,963,051 | 1 | (81,447) | (94,956,019) | - | **(94,956,019)** |
| 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 | (558,865,374) | (2,149,001) | - | - | - | (561,014,375) | - | **(561,014,375)** |
| (Decrease) increase in net assets | (655,479,925) | (2,372,074) | 1,963,051 | 1 | (81,447) | (655,970,394) | - | **(655,970,394)** |
| Net assets - unrestricted, beginning of year, as restated | 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 | $ 1,295,485,680 | $ 4,070,722 | $ 47,584,874 | $ 3,679,715 | $ 29,975,792 | $ 1,380,796,783 | $ - | **$ 1,380,796,783** |

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

**SCHEDULE 4**

Doris Duke Charitable Foundation and Related Entities

## CONSOLIDATING SCHEDULE OF ACTIVITIES

For the year ended December 31, 2007

| | Doris Duke Foundation | Foundation | Foundation | Doris Duke Foundation | Doris Duke Foundation for (As Restated) | Subtotal | Entries | Total (As Restated) |
|---|---|---|---|---|---|---|---|---|
| Revenues: | | | | | | | | |
| Investment income: | | | | | | | | |
| Dividends | $ 16,319,190 | $ 110,450 | $ - | $ - | $ - | $ 16,429,640 | $ - | $ 16,429,640 |
| Interest | 8,548,774 | 64,470 | 28 | 9 | - | 8,613,281 | - | 8,613,281 |
| | 24,867,964 | 174,920 | 28 | 9 | - | 25,042,921 | - | 25,042,921 |
| Less: | | | | | | | | |
| Investment expenses | (5,034,082) | (5,576) | - | (180) | (30) | (5,039,868) | - | (5,039,868) |
| Provision for federal and state taxes | (1,242,810) | (9,500) | (1) | (2) | - | (1,252,313) | - | (1,252,313) |
| Net investment income (loss) | 18,591,072 | 159,844 | 27 | (173) | (30) | 18,750,740 | - | 18,750,740 |
| Change in value of beneficial interest in trusts held by others | 1,109,020 | - | - | - | - | 1,109,020 | - | 1,109,020 |
| Contributions from related organizations | - | - | 11,761,776 | - | 6,767,540 | 18,529,316 | (18,529,316) | - |
| Management fees | - | - | - | 11,848,256 | - | 11,848,256 | (11,848,256) | - |
| Income distribution from the Estate of Doris Duke | 520,000 | - | - | - | - | 520,000 | - | 520,000 |
| Other revenues | (71,230) | - | 799,694 | 173 | 32,177 | 760,814 | - | 760,814 |
| Total revenues | 20,148,862 | 159,844 | 12,561,497 | 11,848,256 | 6,799,687 | 51,518,146 | (30,377,572) | 21,140,574 |
| Expenses: | | | | | | | | |
| Grants | 123,915,505 | - | - | - | 2,539,109 | 126,454,614 | (18,529,316) | 107,925,298 |
| Program | 1,385,163 | 135,513 | 10,815,335 | 6,844,480 | 3,359,186 | 22,539,677 | - | 22,539,677 |
| Administration | - | - | - | 5,862,133 | - | 5,862,133 | - | 5,862,133 |
| Management fees | 8,549,419 | 219,576 | 2,144,012 | - | 935,249 | 11,848,256 | (11,848,256) | - |
| Total expenses | 133,850,087 | 355,089 | 12,959,347 | 12,706,613 | 6,833,544 | 166,704,680 | (30,377,572) | 136,327,108 |
| Decrease in net assets before investment gains and effect of adoption of SFAS No. 158 recognition provisions | (113,701,225) | (195,245) | (397,850) | (858,357) | (33,857) | (115,186,534) | - | (115,186,534) |
| Investment gains: | | | | | | | | |
| Net realized gains | 177,371,688 | 222,391 | - | - | - | 177,594,079 | - | 177,594,079 |
| Net unrealized gains | 34,461,832 | 45,194 | - | - | - | 34,507,026 | - | 34,507,026 |
| Net investment gains | 211,833,520 | 267,585 | - | - | - | 212,101,105 | - | 212,101,105 |
| Effect of adoption of SFAS No. 158 recognition provisions | - | - | 2,987,886 | 858,357 | 943,227 | 4,789,470 | - | 4,789,470 |
| Increase in net assets | 98,132,295 | 72,340 | 2,590,036 | - | 909,370 | 101,704,041 | - | 101,704,041 |
| Net assets - unrestricted, beginning of year, as restated | 1,852,833,310 | 6,370,456 | 43,031,787 | 3,679,714 | 29,147,869 | 1,935,063,136 | - | 1,935,063,136 |
| Net assets - unrestricted, end 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 |

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