

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

**THE G. UNGER VETLESEN FOUNDATION**

For the year ended December 31, 2008

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## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**The G. Unger Vetlesen Foundation:**

We have audited the accompanying statement of assets and net assets arising from cash transactions of The G. Unger Vetlesen Foundation (the "Foundation") as of December 31, 2008, and the related statement of cash receipts, disbursements and change in net assets for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note B, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets arising from cash transactions of The G. Unger Vetlesen Foundation at December 31, 2008, and its cash receipts, disbursements and change in net assets for the year then ended, on the basis of accounting described in Note B.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of marketable securities at December 31, 2008 and 2007 and for the year ended December 31, 2008 has been prepared by management to present relevant financial information on the basis of cash receipts and disbursements as described in Note B and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*GRANT THORNTON LLP*

New York, New York  
June 12, 2009

The G. Unger Vetlesen Foundation

STATEMENT OF ASSETS AND NET ASSETS ARISING FROM CASH TRANSACTIONS

As of December 31, 2008

ASSETS

Cash and cash equivalents:

JPMorgan Chase checking and money market accounts	\$ 176,994
Deutsche Bank checking and money market accounts	<u>4,495,086</u>
	<u>4,672,080</u>

Marketable securities, at cost basis (Note C):

Common stocks (market value \$81,710,570)	43,952,481
Debt securities (market value \$1,000,000)	<u>998,851</u>
	<u>44,951,332</u>

Net assets - unrestricted \$ 49,623,412

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

The G. Unger Vetlesen Foundation

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS  
AND CHANGE IN NET ASSETS

For the year ended December 31, 2008

Cash receipts:	
Dividends:	
Common stock	\$ 1,756,610
Interest:	
Deutsche Bank money market account	188,774
Deutsche Bank debt securities	37,101
JP Morgan Chase checking and money market accounts	200
Miscellaneous revenue	74
Net realized gain on sale of marketable securities	<u>20,931,752</u>
Total receipts	<u>22,914,511</u>
Cash disbursements:	
Grants (Note D)	6,046,000
General and administrative expenses and taxes	<u>988,380</u>
Total disbursements	<u>7,034,380</u>
Change in net assets - excess of cash receipts over disbursements	15,880,131
Net assets, beginning of year	<u>33,743,281</u>
Net assets, end of year	<u>\$ 49,623,412</u>

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

The G. Unger Vetlesen Foundation

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2008

**NOTE A - BUSINESS AND TAX STATUS**

The G. Unger Vetlesen Foundation (the "Foundation") was incorporated on March 7, 1955, under the laws of the state of New York, as a nonprofit membership corporation for voluntarily aiding and contributing to religious, charitable, scientific, literary and educational uses and purposes, in New York, elsewhere in the United States and throughout the world. The funds of the Foundation may be expended for the purposes and objectives stated.

The Foundation is a tax-exempt organization pursuant to Section 501(c)(3) of the Internal Revenue Code, and, accordingly, is not subject to federal income tax. However, the Foundation is classified as a private foundation and, therefore, is subject to an annual federal excise tax not to exceed 2% on net investment income including dividends, interest and net realized gains on securities transactions, reduced by related expenses.

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*1. Basis of Presentation*

The financial statements and accounts of the Foundation are prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America; consequently, certain revenues, principally investment income, and related assets are recognized when received and expenses are recognized when paid. Under accounting principles generally accepted in the United States of America, revenues and assets are accrued when earned and expenses and liabilities are recognized when the obligations are incurred. In addition, the Foundation reports marketable securities at cost rather than at market value. Under accounting principles generally accepted in the United States of America, marketable securities are reported at market value.

*2. Cash and Cash Equivalents*

Cash and cash equivalents consist of bank checking accounts and money market funds. The Foundation considers all highly liquid financial instruments, with original maturities of three months or less from the date of purchase, to be cash equivalents.

*3. Concentrations of Credit Risk*

Cash and cash equivalents and investments are exposed to various risks, such as interest rate, market and credit. To minimize such risks, the Foundation has a diversified portfolio reviewed by independent investment managers in a variety of asset classes. The Foundation regularly evaluates its investments

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008

NOTE B (continued)

including performance thereof. Due to inherent risks and potential volatility in investment valuations, the amounts reported in the accompanying financial statements can vary substantially from year to year. 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 and, accordingly, the Foundation does not expect nonperformance.

4. *Financial Statement Presentation*

All assets and income are unrestricted as they are neither permanently nor temporarily restricted by donor-imposed restrictions, and, therefore, are available for general operations of the Foundation.

NOTE C - MARKETABLE SECURITIES

Marketable securities are carried at cost in the accompanying financial statements. The cost basis of securities received from the Estate of George Unger Vetlesen and the Palaemona Lyster Smythe Trust was determined based upon the related market values as of dates received, May 11, 1959 and January 3, 1985, respectively. The cost of securities sold is determined on the first-in, first-out-cost basis.

The market values of marketable securities are based on published closing prices on December 31, 2008. Changes in market values of the marketable securities will affect future grants. At December 31, 2008, concentrations in marketable securities (5% or more of total market value of marketable securities) included the following common stock investments at quoted market values:

Exxon Mobil	\$ 10,020,740
Merck	4,560,000
Monsanto	4,221,000
Murphy Oil	<u>17,296,500</u>
	<u>\$ 36,098,240</u>

Since the financial statements of the Foundation are prepared on the basis of cash receipts and disbursements and therefore marketable securities recorded at cost rather than at fair market value, the Foundation has not applied Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," to its financial statements, however SFAS No. 157 is still relevant for disclosure purposes. SFAS No. 157 was effective in 2008 and 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

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008

NOTE C (continued)

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 report 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 in the market.

Level 2 - Pricing inputs other than quoted prices in active markets, which are either directly or indirectly observable as of the report date. The nature of these securities include 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 report 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.

As of December 31, 2008, all the Foundation's investments were Level 1.

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008

NOTE D - GRANTS

Grants paid in 2008 were as follows:

Organization	Purpose	Amount
American Red Cross International Response Fund	Relief for earthquake in China	\$ 50,000
American Red Cross, Relief Recovery Fund	Relief for hurricanes Ike and Gustav	150,000
American-Scandinavian Foundation	General operating	10,000
Atlantic Salmon Federation	General operating	25,000
BIOS - Bermuda Institute for Ocean Sciences (formerly Bermuda Biological Station for Research)	General operating	100,000
Black Rock Consortium	Oak Loss Research Program	50,000
Cape Eleuthera School	General operating	50,000
Columbia University, Lamont-Doherty Earth Observatory	\$320,000 for Vetlesen Prize, \$500,000 for general operating and \$200,000 for programs at the Climate Center	1,020,000
Connecticut Fund for the Environment Foundation Center	Save the Sound Program	50,000
Marine Biological Laboratories	Membership	2,500
	\$350,000 for Center for Comparative Molecular Biology and Evolution, Marine Resources Center and veterinary services at the Marine Resources Center and \$100,000 for capital campaign	450,000
Massachusetts Institute of Technology	Joint program on the science and policy of global climate change	100,000
National Parks Conservation Association	General operating	25,000
Oceana	"Dirty Fishing" campaign	25,000
Open Space Institute	Hudson Valley programs	10,000
Oregon State University, for College of Oceanic & Atmospheric Sciences	General operating	200,000
Organization for Tropical Studies	General operating	75,000
Peregrine Fund	General operating	25,000
Resources for the Future	Climate Economics and Policy Program	50,000
Scenic Hudson	Riverfront Communities Program and/or Ecological Restoration Initiatives	100,000
Scripps Institution of Oceanography	Global change program	700,000
South Street Seaport Museum	General operating	10,000

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008

NOTE D (continued)

Organization	Purpose	Amount
University of Miami, Rosenstiel School of Marine and Atmospheric Science	\$200,000 for climate studies at the Rosenstiel School of Marine and Atmospheric Science and \$750,000 for purchase of a laser ablation inductively coupled plasma mass spectrometer	\$ 950,000
University of Rhode Island, Graduate School of Oceanography	\$200,000 for general purposes and \$100,000 for the 2008 URI Honors Colloquium on Global Environmental Change	300,000
University of the South Pacific	Prof. Nunn's research on how global change affects Oceanic Islands	93,500
University of Texas, Institute for Geophysics	Antarctic aerogeophysical research project	200,000
University of Washington, Center of Excellence at the College of Ocean and Fishery Sciences	\$200,000 for general purposes and \$25,000 for Dr. Laidre's work on whales in Greenland	225,000
Whitney Laboratories	General purposes	50,000
Wildlife Conservation Society, for Bronx Zoo	\$50,000 for Global Marine Program, \$50,000 for the Veterinary Sciences Program and \$50,000 for the general purposes of the Bronx Zoo	150,000
Woods Hole Oceanographic Institution	General operating	700,000
Yale University, Department of Astronomy	Professor Sofia's research on solar variability and global temperature	100,000
Total grants		<u>\$6,046,000</u>

The G. Unger Vetlesen Foundation

NOTES TO FINANCIAL STATEMENTS (continued)

December 31, 2008

NOTE D (continued)

At December 31, 2008, the Foundation had commitments to make future grants aggregating \$523,500, as follows:

Grants to be paid in 2009

Organization	Purpose	Amount
Columbia University, Lamont-Doherty Earth Observatory	Vetlesen Prize	\$ 30,000
Massachusetts Institute of Technology	Joint program on the Science and Policy of Global Climate Change	100,000
Scenic Hudson	Riverfront Communities Program and/or Ecological Restoration Initiatives	100,000
University of South Pacific	Prof. Nunn's research on how global change affects Oceanic Islands	93,500
Yale University, Department of Astronomy	Prof. Sofia's research on solar variability and global temperature	<u>100,000</u>
Total grants		<u>\$ 423,500</u>

Grants to be paid in 2010

Organization	Purpose	Amount
Scenic Hudson	Riverfront Communities Program and/or Ecological Restoration Initiatives	\$ 100,000

NOTE E - RELATED PARTY TRANSACTIONS

Individual members of the Foundation's Board of Directors serve on the boards of directors or similar boards of a number of its grantees, including the Marine Biological Laboratories, the Lamont-Doherty Earth Observatory, and the Wildlife Conservation Society. None of the directors receive any compensation for their services as such.

The G. Unger Vetlesen Foundation

Supplemental Schedule of Marketable Securities

As of December 31, 2008 and 2007 and for the year ended December 31, 2008

Common stocks	Held at December 31, 2007		Additions/subtractions		Sales and other dispositions			Held at December 31, 2008		Dividends or interest received in 2008	
	Shares or principal amount	Cost basis	Shares or principal amount	Cost basis	Shares or principal amount	Cost basis	Proceeds	Gain (loss)	Shares or principal amount		Market value 12/31/2008
American Tower	20,000	\$ 816,377	20,000	\$ 880,400	-	-	-	-	40,000	\$ 1,172,800	\$ -
Ametek	37,500	984,668	15,000	623,434	-	-	-	-	52,500	1,608,102	12,600
BP PLC	32,800	459,305	-	-	-	-	-	-	32,800	1,533,072	108,338
Bank of America	52,000	1,970,800	-	-	-	-	-	-	52,000	1,970,800	116,480
Boston Properties	11,000	467,827	-	-	11,000	467,827	937,856	470,029	-	-	88,220
Bristol-Myers Squibb	15,000	715,500	-	-	12,000	290,554	472,994	182,440	15,000	715,500	18,600
Cameron International	62,000	1,197,159	-	-	-	-	-	-	62,000	1,197,159	-
Celgene	-	-	30,000	1,146,591	-	-	-	-	30,000	1,146,591	3,600
Celgene	66,000	1,342,583	-	-	-	-	-	-	66,000	1,342,583	-
Chigroup	24,108	610,220	-	-	-	-	-	-	24,108	610,220	27,001
Deltic Timber	52,285	357,190	-	-	-	-	-	-	52,285	357,190	15,685
Edwards Life Sciences	-	-	50,000	2,184,391	-	-	-	-	50,000	2,184,391	-
Electronic Arts	15,000	844,360	-	-	-	-	-	-	15,000	844,360	-
Express Scripts	50,000	2,066,427	-	-	-	-	-	-	50,000	2,066,427	-
Exxon Mobil	230,526	879,019	-	-	105,000	400,375	9,311,497	8,911,122	125,526	478,644	220,815
Foster Wheeler	-	-	20,000	1,297,004	-	-	-	-	20,000	1,297,004	-
Fresport-McHorn Cooper & Gold	12,500	694,363	-	-	-	-	-	-	12,500	694,363	22,656
Gardner Denver	23,118	3,393	-	-	-	-	-	-	23,118	3,393	-
General Dynamics	30,000	1,141,350	-	-	-	-	-	-	30,000	1,141,350	40,200
Giltd Sciences	56,000	1,466,119	-	-	-	-	-	-	56,000	1,466,119	-
Goodrich	48,000	1,873,856	-	-	-	-	-	-	48,000	1,873,856	43,200
International Flavors & Fragrances	13,559	7,642	-	-	-	-	-	-	13,559	7,642	12,745
International Paper	8,680	87,247	-	-	8,000	87,247	249,524	162,277	30,000	1,601,418	19,500
Joy Global	30,000	1,601,418	-	-	-	-	-	-	30,000	1,601,418	-
JP Morgan Chase	88,680	1,909,796	-	-	-	-	-	-	88,680	1,909,796	13,794
Medtronics	-	-	25,000	1,333,375	-	-	-	-	25,000	1,333,375	4,689
Merck	150,000	185,349	-	-	-	-	-	-	150,000	185,349	228,000
Microsoft	29,000	757,190	-	-	-	-	-	-	29,000	757,190	13,340
Monsanto	70,000	1,502,627	-	-	10,000	294,189	1,080,491	786,302	60,000	1,208,438	51,550
Murphy Oil	535,000	2,049,212	-	-	145,000	553,394	10,974,976	10,419,582	390,000	1,493,818	358,125
Pfizer	35,000	1,438,850	-	-	-	-	-	-	35,000	1,438,850	44,800
Qualcom	-	-	60,000	2,684,070	-	-	-	-	60,000	2,684,070	19,200
SPX	57,168	381,486	-	-	-	-	-	-	57,168	381,486	57,168
St. Jude Medical	25,000	833,875	-	-	-	-	-	-	25,000	833,875	-
Stericycle	25,000	1,314,985	-	-	-	-	-	-	25,000	1,314,985	-
Terex	6,000	503,878	-	-	-	-	-	-	6,000	503,878	-
Union Pacific	20,000	1,276,070	-	-	-	-	-	-	20,000	1,276,070	37,200
United Technologies	43,200	100,000	-	-	-	-	-	-	43,200	100,000	58,104
Zimmer	-	-	40,000	3,013,932	-	-	-	-	40,000	3,013,932	-
<b>Total common stocks</b>		<b>31,840,090</b>		<b>14,207,977</b>		<b>2,095,586</b>	<b>23,027,338</b>	<b>20,931,752</b>		<b>81,710,570</b>	<b>1,756,610</b>

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.

The G. Unger Velesen Foundation

Supplemental Schedule of Marketable Securities (continued)

As of December 31, 2008 and 2007 and for the year ended December 31, 2008

	Held at December 31, 2007		Additions/subtractions		Sales and other dispositions			Held at December 31, 2008		Dividends or interest received in 2008
	Shares or principal amount	Cost basis	Shares or principal amount	Cost basis	Shares or principal amount	Cost basis	Proceeds	Gain (loss)	Shares or principal amount	
<b>Debt securities</b>										
Debt securities:										
US Treasury Bills	-	\$ -	5,000	\$ 4,978,179	5,000	\$ 4,978,179	\$ 4,978,179	\$ -	\$ -	\$ -
US Treasury Bills	-	-	3,500	3,484,720	3,500	3,484,720	3,484,720	-	-	-
US Treasury Bills	-	-	1,000,000	998,851	-	-	-	-	1,000,000	1,000,000
<b>Total debt securities</b>										
				<u>9,461,750</u>		<u>8,462,899</u>	<u>8,462,899</u>	<u>-</u>	<u>998,851</u>	<u>1,000,000</u>
				<u>\$31,840,090</u>		<u>\$10,558,485</u>	<u>\$31,490,237</u>	<u>\$20,931,752</u>	<u>\$44,951,332</u>	<u>\$82,710,570</u>
<b>Total marketable securities</b>										
										<u>\$1,793,711</u>

This schedule should be read in conjunction with the accompanying financial statements and notes thereto.