



The Schmidt Family Foundation and Subsidiaries

Consolidated Financial Statements
Years Ended December 31, 2009 and 2008

The Schmidt Family Foundation and Subsidiaries

Consolidated Financial Statements
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The Schmidt Family Foundation and Subsidiaries

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Independent Auditors' Report

To the Board of Directors of
The Schmidt Family Foundation and Subsidiaries

We have audited the accompanying consolidated statement of financial position of The Schmidt Family Foundation and Subsidiaries (the "Foundation", a California non-profit public benefit corporation), as of December 31, 2009, and the related consolidated statements of activities and changes in net assets and cash flows for the year 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 audit. The financial statements of the Foundation as of December 31, 2008 were audited by other auditors whose report dated September 30, 2009, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2009 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Foundation as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

BDO USA, LLP

September 30, 2010

Consolidated Financial Statements

The Schmidt Family Foundation and Subsidiaries

Consolidated Statements of Financial Position

<i>December 31,</i>	2009	2008
Assets		
Cash and cash equivalents	\$ 1,490,297	\$ 33,157,170
Investments	155,100,712	114,795,285
Investment related receivables	194,344	274,249
Program-related investments, net	4,057,852	1,931,217
Prepaid excise tax and deposits	197,317	290,138
Property and equipment, net	7,921,276	3,860,600
Total Assets	\$ 168,961,798	\$ 154,308,659
Liabilities and Net Assets		
Accounts payable	\$ 5,411	\$ 147,867
Accrued expenses and other liabilities	457,279	245,238
Grants payable, net	2,927,065	3,902,693
Total Liabilities	3,389,755	4,295,798
Commitments		
Net assets - unrestricted	165,572,043	150,012,861
Total Liabilities and Net Assets	\$ 168,961,798	\$ 154,308,659

See accompanying independent auditors' report and notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries
Consolidated Statements of Activities and Changes in Net Assets

<i>Year Ended December 31,</i>	2009	2008
Revenues (Loss) and Other Support:		
Contributions	\$ 4,418,395	\$ 94,407
Net realized and unrealized gain (loss) on investments	23,583,022	(63,701,607)
Dividend, interest and other investment income	3,680,003	4,180,120
Rental and other income	23,971	11,710
Investment related expenses	(306,645)	(306,225)
Federal excise tax	(347,824)	286,171
Net Revenue (Loss) and Other Support	31,050,922	(59,435,424)
Expenses:		
Program services - grants awarded	12,937,535	5,764,044
Program services - direct charitable	2,221,607	1,853,066
Management and general	332,598	643,580
Total Expenses	15,491,740	8,260,690
Changes in net assets	15,559,182	(67,696,114)
Net assets, unrestricted, beginning of period	150,012,861	217,708,975
Net Assets, Unrestricted, End of Period	\$ 165,572,043	\$ 150,012,861

See accompanying independent auditors' report and notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Consolidated Statements of Cash Flows

<i>Year Ended December 31,</i>	2009	2008
Cash Flows from Operating Activities:		
Change in net assets	\$ 15,559,182	\$ (67,696,114)
Adjustments to reconcile in net assets to net cash used by operating activities:		
Net realized and unrealized loss (gain) on investments	(23,583,022)	63,701,607
Contributed property and investments	(4,277,896)	(35,936)
Program-related investments impairment	500,000	-
Depreciation	55,177	21,905
Changes in operating assets and liabilities:		
Investment related receivables	79,905	1,140,558
Prepaid excise tax and deposits	92,821	(289,538)
Accounts payable	(142,456)	(24,697)
Accrued expenses and other liabilities	212,041	142,605
Grants payable, net	(975,628)	(1,463,582)
Net Cash Used by Operating Activities	(12,479,876)	(4,503,192)
Cash Flows from Investing Activities:		
Program-related investments	(2,626,635)	(1,931,217)
Acquisition of property and equipment	(215,853)	(112,102)
Purchases of investments	(87,947,373)	(36,583,288)
Distributions from investments	107,694	-
Proceeds from sale of investments	71,495,170	72,561,814
Net Cash Provided (Used) by Investing Activities	(19,186,997)	33,935,207
Increase (Decrease) in Cash and Cash Equivalents	(31,666,873)	29,432,015
Cash and Cash Equivalents at Beginning of Year	33,157,170	3,725,155
Cash and Cash Equivalents at End of Year	\$ 1,490,297	\$ 33,157,170

See accompanying independent auditors' report and notes to the consolidated financial statements.

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

1. Organization and Operations

The Schmidt Family Foundation (the "Foundation") was incorporated on January 24, 2006 as a California non-profit public benefit corporation that supports activities for charitable, scientific, literary, and educational purposes. The Foundation's mission is to advance the creation of an increasingly intelligent relationship between human activity and the use of the world's natural resources. The Foundation's support and revenue comes primarily through contributions and investments.

Greenhound, LLC ("Greenhound"), a wholly owned subsidiary of the Foundation, was formed on September 26, 2007 as a limited liability company to further the Foundation's mission by working with the town of Nantucket, Massachusetts and the regional transit authority to help develop a better model for the island's seasonal bus system. The goal is to reduce traffic congestion in the historic downtown streets and offer islanders and visitors an attractive mass transit option that the Foundation hopes will become a zero-emission operation. The real property owned by Greenhound has evolved to house multiple functions, including a bus depot in the summer months and adult community school during the off-season.

ReMain Nantucket, LLC ("ReMain"), a wholly owned subsidiary of the Foundation, was donated to the Foundation on April 1, 2009. ReMain is an island-based philanthropic organization established and dedicated to strengthening the lasting economic, environmental and social vitality of downtown Nantucket, Massachusetts.

ReMain 54, LLC ("ReMain 54"), a wholly owned subsidiary of the Foundation, was donated to the Foundation on July 1, 2009. This property is currently being held as an investment rental property. The tenant of the property is one of a handful of bookstores located on Nantucket Island, owned and operated by local residents.

The Foundation's main direct charitable activity, the 11th Hour Project, established since the Foundation's formation, works to promote a fuller understanding of the impact of human activity within the web of interdependent living systems. Together with the Foundation, they connect organizations with good information on how to develop a more responsible relationship with the world's water, energy, and food resources thereby lessening the impacts of climate change.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Foundation and its subsidiaries, Greenhound, LLC, ReMain Nantucket, LLC and ReMain 54, LLC, after elimination of intercompany accounts and transactions.

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred and, accordingly, reflect all significant receivables, payables, and other liabilities.

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Basis of Presentation

Consolidated financial statement presentation follows the recommendations of the Financial Accounting Standards Board ("FASB") for not-for-profit entities. The Foundation is required to report information regarding its consolidated financial position and activities according to three classes of net assets: permanently restricted, temporarily restricted, and unrestricted net assets. Unrestricted net assets have no donor-imposed restrictions and include those revenues and expenses associated with program and supporting services. As of December 31, 2009 and 2008, all of the Foundation's net assets were classified as unrestricted due to lack of donor-imposed restrictions.

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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. Significant estimates include accruals and the valuation of investments.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market funds. The Foundation considers all highly liquid investments with a maturity of three months or less at the date of purchase to be cash equivalents.

Investment Related Receivables

Investment related receivables include stock sales settlements, interest receivable from bonds, and other dividend and interest earnings outstanding at year-end.

Investments

All investments are recorded at fair value in accordance with generally accepted accounting principles ("GAAP") in the United States.

Publicly Traded

The Foundation invests in marketable securities. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Foundation's fiscal year. Contributions of public stock are recorded at quoted market prices at the date of donation. Unrealized gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales of mutual funds are calculated on an adjusted cost basis. The adjusted cost, as a result of reinvested dividends, is the estimated fair value of the mutual fund at the beginning of the year or the cost if purchased during the year. Realized gains and losses resulting from the sales or maturities of debt and other marketable securities are calculated on an actual cost basis. Dividend and interest income are accrued when earned.

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Private Equity Funds

To the extent that these funds invest in publicly traded investments, they are included at quoted market prices as described above. The remaining investments are carried at estimated fair values as determined by the investment manager of these securities after giving consideration to operating results, financial condition, recent sales prices of issuers' securities and other pertinent information. These investments are valued at the Foundation's percentage interest owned in these investment companies. Because of the inherent uncertainty of valuations, however, these estimated fair values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material.

Property and Equipment, Net

Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$1,000 are capitalized. Significant donated property and equipment is recorded at fair value at the date of receipt. If donors stipulate how long the assets must be used, the contributions would be recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation is computed using the modified accelerated cost recovery system ("MACRS") over the estimated useful lives of the assets ranging from three to thirty-nine years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease. Expenditures for maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred.

Program Related Investments

The Foundation makes loans and investments which advance its charitable purpose. At December 31, 2009, the Foundation's program-related investments included related party loan receivables of \$3,557,852 (net of a discount of \$42,148). Interest is calculated on the outstanding loan amounts, annually, at an interest rate of 1% and is due with the principal on-demand. The loans are discounted at the federal risk free rate valid for the year the note was made. Management has reviewed the collectability of the program-related investment loan receivables and has determined that no allowances are necessary as of December 31, 2009. Program-related investment loan receivable at December 31, 2008 was \$1,931,217 (net of a discount of \$68,783).

In 2009, the Foundation's program-related investments also included an investment of \$1,000,000 in a profit sharing agreement with a film production company that produced a documentary film on the oceans. The film was released in 2010. As of December 31, 2009, the Foundation evaluated the investment and determined to record a \$500,000 impairment based on the projected future cash flows of this investment, amongst other factors. The impairment is recorded in program services - direct charitable expense in the accompanying Consolidated Statements of Activities and Changes in Net Assets.

Long Lived Assets

The Foundation reviews long lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of any assets may not be recoverable.

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

Accounts Payable

Accounts payable include the Foundation's trade accounts payable and other liabilities incurred in the normal course of operations.

Accrued Liabilities

Accrued liabilities include professional service fees due to a related party of the Foundation, current and deferred taxes payable, and other current obligations.

Grants

Grants are made in accordance with the Foundation's mission and expensed when approved by the Foundation's Board of Directors. Grants that are expected to be paid after one year are discounted at a federal risk free rate as determined in the year the grant was pledged and are stated at their net present value. Such present value reserves are recorded only if material to the consolidated financial statements. Grants payable reported on the consolidated financial statements consist of amounts payable in future years.

Contributions and Revenue Recognition

The Foundation's revenue recognition policy requires that contributions received, including unconditional promises to give be recognized as revenue at their fair value in the period the contribution or pledge is received. Contributions are recognized as revenue when received or unconditionally promised. The Foundation reports gifts of cash and other assets as restricted support if such gifts are received with donor stipulations that limit the use of the donated assets. When such restrictions expire, such as when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions.

Functional Expense Allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Fair Value of Financial Instruments

Financial instruments included in the Foundation's Consolidated Statement of Financial Position as of December 31, 2009 and 2008 include cash and cash equivalents, investments, investment related receivables, and program-related investments. For cash and cash equivalents, investment related receivables, and accrued liabilities, the carrying amounts approximate fair value due to their short maturity. Investments and program-related investments are reflected in the accompanying Consolidated Statement of Financial Position at their estimated fair values using methodologies described above.

Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to credit risk consist primarily of cash and cash equivalents, investments, investment related receivables and program-related investments. The Foundation maintains cash and cash equivalents with commercial banks and

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Notes to Consolidated Financial Statements

other major financial institutions. Cash equivalents include overnight investments and money market funds. At times, such amounts exceed Federal Deposit Insurance Corporation ("FDIC") limits. The Foundation's investments and investment related receivables have been placed with established financial institutions. The Foundation monitors these investments and has not experienced any significant credit losses.

The credit risk associated with the related party program-related investment loan receivables are mitigated by the fact that the loans are made to organizations which the Foundation monitors closely. It is the Foundation's opinion that it is not exposed to any significant credit risks.

Reclassification

Certain 2008 balances have been reclassified to conform to the 2009 financial statement presentation. These reclassifications have no effect on previously reported change in net assets.

Accounting for Income Taxes

The Foundation is a qualified organization exempt from federal and state tax under the provisions of Section 501(c)(3) of the Internal Revenue code and applicable state codes. Therefore, no provision for federal or state income tax is reflected in the financial statements.

On January 1, 2009, the Foundation adopted the authoritative accounting guidance, which prescribes a threshold and measurement attribute for the financial recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also provides for de-recognition of tax benefits, classification on the statement of financial condition, interest and penalties, accounting in interim periods, disclosure and transition. The guidance utilizes a two-step approach for evaluating uncertain tax positions. Step one, Recognition, requires the Foundation to determine if the weight of available evidence indicates that a tax position is more likely than not to be sustained upon audit, including resolution of related appeals or litigation processes, if any. If a tax position is not considered "more likely than not" to be sustained then no benefits of the position are to be recognized. Step two, Measurement, is based on the largest amount of benefit, which is more likely than not to be realized on ultimate settlement.

The Foundation evaluated its tax provisions for any potential uncertain tax positions. The Foundation does not believe its consolidated financial statements include any uncertain tax positions which are not deemed more likely than not to be sustained if challenged.

Recent Accounting Pronouncements

Mergers and Acquisitions

In April 2009, the FASB issued a standard providing guidance on accounting for a combination of not-for profit entities, which is a transaction or other event that results in a not-for-profit entity initially recognizing another not-for-profit entity, a business, or a nonprofit activity in its financial statements. This statement applies to a combination that meets the definition of either a merger of not-for profit entities or an acquisition by a not-for-profit entity.

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GAAP Hierarchy

In June 2009, the FASB issued a new accounting standard that provides for a codification of accounting standards to be the authoritative source of generally accepted accounting principles in the United States, including the preparation of financial statements of nongovernmental entities that are presented in conformity with GAAP. The adoption of this standard in 2009 had no effect on the Foundation's financial statements, as it did not change existing GAAP.

3. Investments

At December 31, 2009 and 2008, portfolio investments are recorded at fair value. The estimated fair value of the Foundation's investments is as follows:

<i>December 31,</i>	2009	2008
Stocks	\$ 21,480,447	\$ 10,659,150
Fixed Income/Bonds	47,387,026	45,524,173
Exchange-Traded Funds / Mutual Funds	49,894,336	38,249,888
Investment partnerships	36,338,903	20,362,074
Total	\$ 155,100,712	\$ 114,795,285

The following schedule summarizes the investment returns:

<i>For the Years Ended December 31,</i>	2009	2008
Net realized gain (loss)	\$ (30,281,126)	\$ (19,227,981)
Net unrealized gain (loss)	53,864,148	(44,473,626)
Net realized and unrealized gains (losses)	23,583,022	(63,701,607)
Dividend income	2,752,452	2,738,647
Interest income	655,095	1,441,473
Other investment income	272,456	-
Total dividend, interest and other investment income	3,680,003	4,180,120
Less: investment related expenses	(306,645)	(306,225)
Net investment returns (losses)	\$ 26,956,380	\$ (59,827,712)

At December 31, 2009, the Foundation had investments in the following marketable securities in excess of 10% of the total investment portfolio:

iShares Tr MSCI EAFE Index Fund	\$ 27,863,018	18%
Google Class A Stock	\$ 21,480,447	14%
iShares Barclays Treasury Inflation Protected Securities Fund	\$ 15,400,147	10%

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Notes to Consolidated Financial Statements

At December 31, 2008, the Foundation had investments in the following marketable securities in excess of 10% of the total investment portfolio:

Vanguard Total Stock Market Mutual Fund	\$ 15,245,282	13%
iShares Barclays Treasury Inflation Protected Securities Fund	\$ 14,323,805	12%

4. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date. A hierarchy for inputs used in measuring fair value has been defined to minimize the use of unobservable inputs by requiring the use of observable market data when available. Observable inputs are inputs that market participants would use in pricing the asset or liability based on active market data. Unobservable inputs are inputs that reflect the Company’s assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy prioritizes the inputs into three broad levels:

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 – Inputs are quoted prices for similar assets and liabilities in active markets or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument.

Level 3 – Inputs are unobservable inputs based on the Company’s assumptions.

An investment’s classification within a level in the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Foundation’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the investment. The categorization of the investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Foundation’s perceived risk of that investment.

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Notes to Consolidated Financial Statements

The following are the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2009, using quoted prices in active markets for identical assets (Level 1) and significant unobservable inputs (Level 3):

<i>December 31, 2009</i>	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 3: Significant Unobservable Inputs	Total
Money market fund	\$ 1,340,227	\$ -	\$ 1,340,227
Domestic stocks	21,480,447	-	21,480,447
Exchange-traded funds / Mutual funds:			
Large cap equity	8,034,636	-	8,034,636
International equity	41,859,700	-	41,859,700
Fixed income/bonds	47,387,026	-	47,387,026
Investment partnerships:			
Hedge funds	-	15,845,303	15,845,303
Venture capital / Private equity	-	12,017,680	12,017,680
Real estate	-	106,697	106,697
Fund of funds - private equity	-	3,097,357	3,097,357
Fund of funds - hedge fund	-	5,271,866	5,271,866
Total	\$ 120,102,036	\$ 36,338,903	\$ 156,440,939

The following are the major categories of investments measured at fair value on a recurring basis during the year ended December 31, 2008, using quoted prices in active markets for identical assets (Level 1) and significant unobservable inputs (Level 3):

	Level 1: Quoted Prices in Active Markets for Identical Assets	Level 3: Significant Unobservable Inputs	Total
Money market fund	\$ 32,941,847	\$ -	\$ 32,941,847
Domestic stocks	10,659,150	-	10,659,150
Fixed income/bonds	45,524,173	-	45,524,173
Mutual funds	38,249,888	-	38,249,888
Investment partnerships	-	20,362,074	20,362,074
Total	\$ 127,375,058	\$ 20,362,074	\$ 147,737,132

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

The following is a reconciliation of the beginning and ending balances for investments measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended December 31, 2009 and 2008:

	2009	2008
Beginning balance	\$ 20,362,074	\$ 11,360,690
Purchases and acquisitions	8,674,601	13,123,941
Net realized and unrealized gain (loss) included in change in net assets	7,409,922	(4,122,557)
Sales and distributions	(107,694)	-
Ending balance	\$ 36,338,903	\$ 20,362,074

The Foundation has certain commitments and restrictions on redemptions of its investments in investments partnerships as follows:

<i>December 31, 2009</i>	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Investment partnerships:				
Hedge funds*	\$ 15,845,303	\$ -	Quarterly-Annually	45-90 day
Venture capital / Private equity	12,017,680	18,775,178	None	N/A
Real estate	106,697	1,835,300	None	N/A
Fund of funds - private equity	3,097,357	11,550,000	None	N/A
Fund of funds - hedge fund	5,271,866	-	Quarterly	45 day
Total	\$ 36,338,903	\$ 32,160,478		

*One of the Foundation's hedge fund investments has a two year lock-up, which expires in May 2011.

5. Property and Equipment, Net

Property and equipment consist of the following:

<i>December 31,</i>	2009	2008
Land	\$ 5,723,339	\$ 3,063,339
Building	1,257,574	717,573
Building improvements	832,412	58,326
Furniture and equipment	185,033	43,267
Total property and equipment	7,998,358	3,882,505
Less: accumulated depreciation	(77,082)	(21,905)
Total property and equipment, net	\$ 7,921,276	\$ 3,860,600

Property and equipment with a fair value of \$4,017,028 were donated in 2009.

The Schmidt Family Foundation and Subsidiaries

Notes to Consolidated Financial Statements

6. Grants Payable, Net

For the years ended December 31, 2009 and 2008, the Foundation had various multi-year grants payable in the net amount of \$2,927,065 and \$3,902,693, respectively. Grants payable are recorded after discounting the future cash flows to present value using a discount rate ranging between 0.69% and 2.85%, respective to the year the grant was made.

The maturities of the Foundation's multi-year grants are expected to be as follows:

<i>Years Ended December 31,</i>	<i>Amount</i>
2010	\$ 1,875,000
2011	1,100,000
Thereafter	-
<hr/>	
Less: discount for present value	(47,935)
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Total	\$ 2,927,065

7. Federal Excise Taxes and Distribution Requirements

Distribution Requirements

The Foundation is subject to distribution requirements of the Internal Revenue Code. Accordingly, it must distribute within one year after the end of each fiscal year 5% of the fair value of its investment assets, as defined. The investments includable for the 5% distribution requirement are based on average monthly balances and are exclusive of those investments deemed to be held for charitable activities. In determining qualifying distributions, grant payments are considered on a cash basis and certain expenses are considered as qualifying distributions. For the years ending December 31, 2009 and 2008 the Foundation has complied with the distribution requirements.

Federal Excise Taxes

In accordance with the applicable provisions of the Internal Revenue Code, the Foundation is a private foundation and qualifies as a tax exempt organization. Private foundations are liable for an excise tax of 2% (1% if minimum payout requirements prescribed by the Internal Revenue Code are met) on net investment income, excluding unrealized gains, as defined. For the years ending December 31, 2009 and 2008, the Foundation's excise tax was 2%.

Deferred taxes arise due to temporary differences between reported amounts of investments and their tax basis. Deferred taxes also arise for the difference between the cash basis used for tax purposes and the accrual basis used for financial statement purposes for investment activities. Deferred federal excise taxes on unrealized depreciation or appreciation is calculated using the 2% tax rate since the qualification for the one percent tax is not determinable until the year in which losses or gains are realized.

Deferred federal excise tax liability at December 31, 2009 and 2008 was \$236,312 and \$0, respectively and is included in accrued and other liabilities in the accompanying consolidated statements of financial condition.

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The expense (benefit) provision for excise taxes consists of the following:

<i>December 31,</i>	2009	2008
Excise tax		
Current	\$ 111,512	\$ (220,889)
Deferred	236,312	(65,281)
	\$ 347,824	\$ (286,171)

8. Management and General Expenses

Management and general expenses consisted of the following:

<i>December 31,</i>	2009	2008
Management service fees	\$ 133,454	\$ 221,479
Professional fees	85,509	105,239
Office rent	41,097	215,654
Other	72,537	101,208
Total management and general expenses	\$ 332,597	\$ 643,580

9. Commitments

During February 2008, the Foundation entered into an operating lease agreement to lease its facilities. Rent expense for the Foundation under this agreement for the year ended December 31, 2009 was \$263,081. Rent expense for the Foundation under this agreement for the ten months ended December 31, 2008 was \$215,654.

Future minimum annual lease payments required under this agreement is as follows:

<i>Years Ended December 31,</i>	Amount
2010	\$ 255,424
2011	265,824
2012	276,307
2013	46,342
Thereafter	-
Total	\$ 843,897

10. Related Party Transactions

In 2009, the Foundation subleased four private office spaces within the property being leased, as noted above. Three of these offices were subleased to a 501(c)(3) tax-exempt organization of which the President of the Foundation is a member of the sublease's Board of Directors. This organization's sublease originated in 2008. Rental income received was \$17,356 and \$2,146 in 2009 and 2008 respectively. The rental income has been netted against the Foundation's rent expense.

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Notes to Consolidated Financial Statements

The Foundation is being funded by stock donations from the founders of the Foundation. For the years ended December 31, 2009 and 2008, publicly traded stock valued at \$377,896 and \$35,936 was donated by the founders. In addition, for the years ended December 31, 2009 and 2008, contributed facilities and travel related expenses of \$7,893 and \$41,900 were contributed to the Foundation by the founders.

In 2009, the founders of the Foundation donated their interests in, ReMain Nantucket, LLC and ReMain 54 LLC. The donations include property and equipment, totaling \$4,023,320, which were recorded at their estimated fair value on the dates of the donations.

During 2008, the Foundation entered into a one-year agreement for professional services with an organization where one of the Foundation's Board of Directors has an ownership interest. During 2009, the Foundation renewed this agreement for another one-year term. For the years ended December 31, 2009 and 2008, the Foundation made payments to this related organization of \$279,027 and \$467,662, respectively, for charitable program management, accounting, investment, human resources and information technology services.

During 2006, the Foundation made a five-year grant to the Natural Resources Defense Council, where the President of the Foundation is a board member. The Foundation has agreed to pay this grant in annual amounts of \$1,000,000 through 2011. The Foundation did not make any additional multi-year grants to related party organizations during the years ended December 31, 2009 and 2008. The related organization grant payable for the years ended December 31, 2009 and 2008 is \$2,000,000 and \$3,000,000, respectively.

In 2009, the Foundation made grants, totaling \$4,009,163 to the Schmidt Research Vessel Institute \$4,800,000 to the Marine Science and Technology Foundation, 501(c)(3) tax exempt organizations, where one of the Foundation's Board of Directors is a board member.

The Foundation has made program-related investment loans to Climate Central totaling \$1,600,000 and the Nantucket Dreamland Foundation for \$2,000,000, where one of the Foundation's Board of Directors is a board member. The Foundation's Board member recused herself from the Board's discussion and vote on such loans.

11. Subsequent Events

In 2010, the Foundation fully funded a \$10,000,000 commitment to a venture capital limited partnership.

In 2010, the Foundation made grants of \$2,300,000 to Climate Central and \$1,000,000 to the Marine Science and Technology Foundation, where one of the Foundation's Board of Directors is a board member.

The Foundation has evaluated subsequent events through, September 30, 2010, the date that the financial statements were available to be issued.