

THE HERTZ FOUNDATION

FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

ARMANINO MCKENNA ^{LLP}
Certified Public Accountants & Consultants



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Hertz Foundation
Livermore, California

We have audited the accompanying statement of financial position of The Hertz Foundation (the "Foundation") as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of The Hertz Foundation as of June 30, 2010, were audited by other auditors whose report dated October 21, 2010, 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 financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of The Hertz Foundation as of June 30, 2011, 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.



ARMANINO McKENNA LLP

November 7, 2011



THE HERTZ FOUNDATION
 Statements of Financial Position
 June 30, 2011 and 2010

<u>ASSETS</u>	<u>2011</u>	<u>2010</u>
Cash and cash equivalents	\$ 435,719	\$ 86,467
Prepaid expenses	16,602	13,486
Investments	20,768,663	20,032,529
Other assets	518,270	518,270
Leasehold improvements and equipment, net	<u>110,718</u>	<u>108,776</u>
 Total assets	 <u>\$ 21,849,972</u>	 <u>\$ 20,759,528</u>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities		
Accounts payable and accrued expenses	\$ 36,615	\$ 25,000
Fellowships and grants	<u>2,051,300</u>	<u>2,098,921</u>
Total liabilities	<u>2,087,915</u>	<u>2,123,921</u>
Net assets		
Unrestricted		
Designated for future fellowship commitments	4,854,058	5,036,838
Undesignated	<u>14,389,729</u>	<u>13,080,499</u>
Total unrestricted	<u>19,243,787</u>	<u>18,117,337</u>
Temporarily restricted	<u>518,270</u>	<u>518,270</u>
Total net assets	<u>19,762,057</u>	<u>18,635,607</u>
 Total liabilities and net assets	 <u>\$ 21,849,972</u>	 <u>\$ 20,759,528</u>

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

THE HERTZ FOUNDATION
Statement of Activities
For the Year Ended June 30, 2011

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 2,067,147	\$ -	\$ 2,067,147
Net realized and unrealized gains on investments	2,472,975	-	2,472,975
Donated services	3,150	-	3,150
Interest and dividends	274,904	-	274,904
Total support and revenue	4,818,176	-	4,818,176
Expenses			
Program services			
Fellowship	2,537,727	-	2,537,727
Mentoring and entrepreneurial education	356,154	-	356,154
Supporting services			
Management and general	472,410	-	472,410
Fundraising	325,435	-	325,435
Total expenses	3,691,726	-	3,691,726
Change in net assets	1,126,450	-	1,126,450
Net assets, beginning of year	18,117,337	518,270	18,635,607
Net assets, end of year	\$ 19,243,787	\$ 518,270	\$ 19,762,057

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

THE HERTZ FOUNDATION
Statement of Activities
For the Year Ended June 30, 2010

	Unrestricted	Temporarily Restricted	Total
Support and revenue			
Contributions	\$ 4,236,722	\$ -	\$ 4,236,722
Net realized and unrealized gains on investments	1,672,128	-	1,672,128
Donated services	119,928	-	119,928
Interest and dividends	57,881	-	57,881
Net assets released from restrictions	27,224	(27,224)	-
Total support and revenue	6,113,883	(27,224)	6,086,659
Expenses			
Program services			
Fellowship	2,480,100	-	2,480,100
Mentoring and entrepreneurial education	333,882	-	333,882
Supporting services			
Management and general	613,650	-	613,650
Fundraising	330,614	-	330,614
Total expenses	3,758,246	-	3,758,246
Change in net assets	2,355,637	(27,224)	2,328,413
Net assets, beginning of year	15,761,700	545,494	16,307,194
Net assets, end of year	\$ 18,117,337	\$ 518,270	\$ 18,635,607

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

THE HERTZ FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2011

	Program Services		Supporting Services		Total
	Fellowship	Mentoring & Entrepreneurial Education	Management and General	Fundraising	
Tuition and stipends	\$ 1,992,433	\$ -	\$ -	\$ -	\$ 1,992,433
Wages and benefits	219,557	143,408	201,913	203,845	768,723
Awards	19,096	-	-	-	19,096
Events	-	78,795	-	-	78,795
Travel	35,300	49,166	53,907	5,085	143,458
Professional services	141,290	31,419	-	53,535	226,244
Contract services	11,434	4,770	-	14,659	30,863
Advertising	5,559	1,161	642	450	7,812
Insurance	5,619	1,871	-	1,871	9,361
Fees	-	-	4,062	-	4,062
Postage	12,060	3,247	-	1,792	17,099
Technology	1,494	498	-	498	2,490
Supplies	10,277	3,426	-	3,426	17,129
Printing	16,455	7,669	-	8,171	32,295
Rent	50,721	25,361	25,360	25,360	126,802
Maintenance	2,822	941	-	941	4,704
Utilities	5,626	2,810	2,812	4,190	15,438
Depreciation	4,834	1,612	-	1,612	8,058
Special contributions	-	-	1,000	-	1,000
Donated goods/services	3,150	-	-	-	3,150
Moving expenses	-	-	79,961	-	79,961
Federal tax refund	-	-	(72,807)	-	(72,807)
Investment management	-	-	175,560	-	175,560
Total expenses	<u>\$ 2,537,727</u>	<u>\$ 356,154</u>	<u>\$ 472,410</u>	<u>\$ 325,435</u>	<u>\$ 3,691,726</u>

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

THE HERTZ FOUNDATION
Statement of Functional Expenses
For the Year Ended June 30, 2010

	Program Services		Supporting Services		Total
	Fellowship	Mentoring & Entrepreneurial Education	Management and General	Fundraising	
Tuition and stipends	\$ 1,933,115	\$ -	\$ -	\$ -	\$ 1,933,115
Wages and benefits	289,692	163,528	282,510	239,750	975,480
Awards	24,500	1,500	-	-	26,000
Events	248	44,629	39	-	44,916
Travel	44,926	47,118	38,276	11,942	142,262
Professional services	93,991	27,090	51,776	45,433	218,290
Contract services	10,468	6,304	4,369	2,409	23,550
Advertising	837	225	5,981	2,234	9,277
Insurance	9,319	3,106	-	3,106	15,531
Fees	-	-	-	1,564	1,564
Postage	9,930	2,310	-	553	12,793
Technology	1,362	454	-	2,359	4,175
Supplies	3,271	4,168	220	3,768	11,427
Printing	16,052	9,549	-	9,390	34,991
Rent	28,171	9,390	-	1,156	38,717
Maintenance	3,471	1,157	-	6,950	11,578
Utilities	10,747	3,826	-	-	14,573
Depreciation	-	-	8,058	-	8,058
Donated goods/services	-	9,528	-	-	9,528
Investment management	-	-	222,421	-	222,421
Total expenses	<u>\$ 2,480,100</u>	<u>\$ 333,882</u>	<u>\$ 613,650</u>	<u>\$ 330,614</u>	<u>\$ 3,758,246</u>

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

THE HERTZ FOUNDATION
 Statements of Cash Flows
 For the Years Ended June 30, 2011 and 2010

	2011	2010
Cash flows from operating activities		
Change in net assets	\$ 1,126,450	\$ 2,328,413
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	8,058	8,057
Stock contribution	(41,618)	(50,252)
Realized and unrealized gains on investments	(2,472,975)	(1,672,128)
Changes in operating assets and liabilities		
Receivables	-	25,000
Prepaid expenses	(3,116)	7,609
Accounts payable and accrued expenses	11,615	(39,833)
Fellowships and grants	(47,621)	(30,327)
Net cash provided by (used in) operating activities	(1,419,207)	576,539
Cash flows from investing activities		
Purchase of equipment	(10,000)	-
Proceeds from sales of investments	3,850,000	6,347,113
Purchases of investments	(2,071,541)	(6,988,667)
Net cash provided by (used in) investing activities	1,768,459	(641,554)
Net increase (decrease) in cash and cash equivalents	349,252	(65,015)
Cash and cash equivalents, beginning of year	86,467	151,482
Cash and cash equivalents, end of year	\$ 435,719	\$ 86,467

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

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

1. Organization

Nature of activities

The Fannie and John Hertz Foundation, known as The Hertz Foundation (the "Foundation"), was incorporated in 1945 in the State of Illinois. The principal objectives of the Foundation are the promotion of education and the enhancement of the defense potential and technological stature of the United States, by aiding in the education of the most capable students, particularly with respect to the applied physical sciences.

2. Summary of Significant Accounting Policies

Basis of presentation

The financial statements of the Foundation have been prepared on the accrual basis of accounting.

Net assets and changes therein are classified as follows:

Unrestricted net assets - Unrestricted net assets consist of all resources of the Foundation which have not been specifically restricted by a donor. Unrestricted net assets classified as designated for future fellowship commitments on the statement of financial position include long-term tuition and stipend commitments to current fellows.

Temporarily restricted net assets - Temporarily restricted net assets consist of cash and other assets received with donor stipulations that limit the use of the donated assets. Donor restrictions are stipulated by either a time restriction or a purpose restriction. Upon expiration of a time restriction or completion of a purpose restriction, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. Temporarily restricted amounts received and used during the year flow through the statement of activities as unrestricted.

Permanently restricted net assets - Permanently restricted net assets consist of assets whose use has been restricted for investment in perpetuity. The income from these assets is available for either general operations or specific programs as specified by the donor. There were no permanently restricted net assets as of June 30, 2011 or 2010.

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Revenue recognition

All contributions are considered available for the Foundation's general operations unless specifically restricted by the donor. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. All amounts received that are designated for future periods or restricted by the donor are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is received. Conditional promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are substantially met. Contributions that are promised in one year but are not expected to be collected until after the end of that year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of any such discounts, if any, is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions as applicable. An allowance for doubtful contributions receivable is provided based upon management's judgment including such factors as prior collections history, type of contribution and current aging of contributions receivable. There were no contributions receivable or related allowances recorded as of June 30, 2011 or 2010. Investment income that is limited to specific uses by donor restrictions is reported as increases in unrestricted net assets if the restrictions are met in the same reporting period as the income is recognized.

Cash and cash equivalents

For purposes of the statement of cash flows, cash and cash equivalents principally include cash in banks and do not include money market funds held for investment purposes.

Investments

Investments are recorded at fair value, and the net unrealized appreciation or depreciation on investments held is included in the change in net assets in the accompanying statements of activities. The values of corporate stocks, government obligations and corporate debt are based on their closing quoted market prices. Alternative investments include direct partnership and fund of funds investments in absolute return strategies. The fair values of these investments are based upon fair values of the underlying assets as reported by the entities in their financial statements or as determined by the general partner or manager. The ultimate liquidation of these investments may be restricted to certain time periods, subject to conditions imposed by the manager, or limited by the timing of sales of underlying private securities for which there is no public market. The Foundation invests in various investments. Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Foundation determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value (Level 1, Level 2 and Level 3). Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Unobservable inputs reflect the Foundation's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the Foundation's own data.

The following methods and assumptions were used to estimate the fair value of financial instruments:

- Level 1 investments include quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Level 1 measurements include valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets.
- Level 2 investments include valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.
- Level 3 investments include valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities. The Foundation uses net asset value to determine the fair market value of all alternative investments that do not have readily determined values.

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Leasehold improvements and equipment

The Foundation capitalizes all acquisitions of leasehold improvements and equipment with a cost or value in excess of \$1,000. Leasehold improvements and equipment are recorded at cost of acquisition or construction or, if donated, at the fair market value of the asset at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of three years for equipment. Amortization is provided on leasehold improvements over the lesser of the estimated useful life of the respective assets or the related lease term. Maintenance and repairs are charged to expense as incurred.

Other assets

Other assets represent the gift of an interest in real property that was valued at appraisal value at the time of gifting. The Foundation holds title to the property which is a residence that is being used by the donors until their passing. Consequently, the Foundation's interest in the real property totaling \$518,270 is accounted for as temporarily restricted and comprises 100% of the Foundations temporarily restricted net assets.

In-kind contributions and contributed services

Contributed goods and services are reflected in the financial statements at their fair market value. The contributions of goods and services are recognized if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

Fellowships

Fellowships are recorded when approved by the board of directors. Fellowship commitments due during the next fiscal year are recorded in the statement of financial position as a current liability. All future fellowship commitments are conditional and included as designated unrestricted net assets.

Income taxes

The Foundation, a charitable trust as described in Section 501(c)(3) of the U.S. Internal Revenue Code, is exempt from income taxes on related income under provisions of the U.S. Internal Revenue Code and the California Tax Code. However, the Foundation is subject to income taxes on unrelated business income. The Foundation did not incur any unrelated business income for the years ending June 30, 2011 and 2010.

On March 4, 2011, the Foundation was notified by the Internal Revenue Service (IRS) of its ability, effective July 1, 2005, to terminate the private foundation status and to operate as a public charity. As a public charity, donors will receive the maximum tax deduction available.

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

2. Summary of Significant Accounting Policies (continued)

Income taxes (continued)

The Foundation has evaluated its current tax position and concluded that as of June 30, 2011 and 2010, the Foundation does not have any significant uncertain tax positions for which a reserve would be necessary.

Functional allocation of expenses

Expenses have been charged directly to program and supporting services classifications based on direct expenses incurred. Any expenses not directly chargeable are allocated to program or supporting service classifications based on management analysis of what classification was benefited by the expense.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Actual results could differ from those estimates.

Reclassifications

Certain 2010 balances have been reclassified to conform to the 2011 financial statement presentation.

3. Investments

The following is a summary of the investments held by the Foundation at June 30:

	<u>2011</u>	<u>2010</u>
Cash and short term investments	\$ 1,472,262	\$ 1,766,890
Equity mutual funds	10,883,106	111,960
Fixed income mutual funds	6,909,404	-
Exchange traded funds	953,745	-
Equities	-	4,528,751
Corporate bonds	-	23,393
U.S. government and agency	-	3,161,300
Commingled investment vehicles	<u>550,146</u>	<u>10,440,235</u>
	<u>\$20,768,663</u>	<u>\$20,032,529</u>

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

3. Investments (continued)

The Foundation had net realized and unrealized gains on investments of \$2,472,975 and \$1,672,128 during fiscal years June 30, 2011 and 2010, respectively.

4. Leasehold Improvements and Equipment

Leasehold improvements and equipment consisted of the following at June 30:

	<u>2011</u>	<u>2010</u>
Leasehold improvements	\$120,954	\$120,954
Equipment	<u>10,000</u>	<u>-</u>
	130,954	120,954
Less: accumulated depreciation	<u>(20,236)</u>	<u>(12,178)</u>
	<u>\$110,718</u>	<u>\$108,776</u>

Depreciation expense for fiscal years ending June 30, 2011 and 2010 was \$8,058 and \$8,057, respectively.

5. Fair Value Measurements

The following table sets forth by level, within the fair value hierarchy, the Foundation's financial assets at fair value as of:

	<u>June 30, 2011</u>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and short term investments	\$ 1,472,262	\$ -	\$ -	\$ 1,472,262
Fixed income mutual funds	6,909,404	-	-	6,909,404
Equity mutual funds	10,883,106	-	-	10,883,106
Exchange traded funds	953,745	-	-	953,745
Commingled investment vehicles	<u>-</u>	<u>25,987</u>	<u>524,159</u>	<u>550,146</u>
Total	<u>\$20,218,517</u>	<u>\$25,987</u>	<u>\$524,159</u>	<u>\$20,768,663</u>

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

5. Fair Value Measurements (continued)

	June 30, 2010			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Cash and short term investments	\$1,766,890	\$ -	\$ -	\$ 1,766,890
Equities	4,528,751	-	-	4,528,751
Equity mutual funds	111,960	-	-	111,960
Corporate bonds	23,393	-	-	23,393
U.S. government and agency	3,161,300	-	-	3,161,300
Commingled investment vehicles	-	5,679,266	4,760,969	10,440,235
Total	<u>\$9,592,294</u>	<u>\$5,679,266</u>	<u>\$4,760,969</u>	<u>\$20,032,529</u>

The following table presents additional information about Level 3 assets measured at fair value. Both observable and unobservable inputs may be used to determine the fair value of positions that the Foundation has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category may include changes in fair value that were attributed to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

Changes in Level 3 financial assets measured at fair value for the years ended June 30, 2011 and 2010:

	<u>Commingled Investment Vehicles</u>
Balance at June 30, 2009	\$4,654,029
Realized and unrealized gains	106,940
Balance at June 30, 2010	4,760,969
Purchase, issuances and settlements, net	(4,602,440)
Realized and unrealized gains	365,630
Balance at June 30, 2011	<u>\$ 524,159</u>

Realized and unrealized gains are included in realized and unrealized gains in the statement of activities. The change in unrealized gains for the year ended June 30, 2011 and 2010 for investments still held at June 30, 2011 and 2010 of \$69,518 and \$1,279,441, respectively, are reflected in unrealized gains in the statements of activities.

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

5. Fair Value Measurements (continued)

As of June 30, 2011 and 2010, additional required disclosure on Level 2 investments are as follows:

Number of Funds	Strategy	Valuation		Unfunded Commitment	Redemption Frequency	Redemption Notice Period
		2011	2010			
(1)	Multi-strategy Fund (a)	\$ -	\$1,836,268	None	Quarterly	45 days
(1)	Mortgage Opportunities Funds (b)	\$25,987	\$3,842,998	None	Quarterly	90 days

(a) This is a limited liability company organized to invest in portfolio funds by the following investment strategy: commodity trading advisor/commodities, distressed credit, emerging markets, equity long/short, event driven fixed income/credit, global macro, multi-strategy, trading strategies, and volatility arbitrage.

(b) This is a limited liability company formed to invest in mortgage related strategies wherein positions in mortgage related securities that the company believes to be undervalued, while simultaneously carrying offsetting positions ("hedges") in other securities.

6. Related Party Transactions

One Director is a partner in an investment advisory firm, which rendered investment management and custodial services to the Foundation during the year. Such services were terminated in December 2010. The firm was compensated for these services through commissions and investment management fees, which amounted to \$39,574 and \$80,976 for the fiscal years June 30, 2011 and 2010, respectively.

7. Contributed Goods and Services

Contributed goods and services are included in the statements of activities and comprised of the following for fiscal years June 30, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Management salaries	\$ -	\$110,400
Information technology services	-	2,040
Supplies	-	7,488
Donated honorariums	<u>3,150</u>	<u>-</u>
Total contributed goods and services	<u>\$3,150</u>	<u>\$119,928</u>

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

8. Fellowship Commitments

Fellowships are granted for one year but may be renewed, at the option of the Foundation, on a year-to-year basis not to exceed five years of Fellowship support. Any fellowships that are renewed will require additional funding by the Foundation. Conditional fellowship commitments outstanding, as of June 30, 2011, by year of expected payment are approximately as follows:

<u>Year Ending June 30,</u>	
2012	\$2,051,300
2013	1,561,000
2014	1,164,029
2015	1,071,029
2016	752,000
Thereafter	<u>306,000</u>
	<u>\$6,905,358</u>

9. Commitments

The Foundation has a lease commitment for its office space in Livermore, California which expires May 31, 2016. The Foundation also has a lease commitment for office equipment which extends through October 31, 2011. Rent expense charged to operations for the fiscal years ended June 30, 2011 and 2010 was \$126,803 and \$46,952, respectively. The Foundation terminated its lease for office space at an alternative location in Livermore, California with an original expiration date of May 30, 2014. The Foundation entered into a lease cancellation agreement in June 2011, resulting in termination fees of \$115,000 due ratably through the termination of the lease on September 30, 2011. As of June 30, 2011, a significant portion of the termination fees were paid by the Foundation.

The remaining future minimum lease payments under these operating leases are as follows:

<u>Year Ending June 30,</u>	
2012	\$ 30,672
2013	31,301
2014	32,657
2015	34,013
2016	<u>32,318</u>
	<u>\$160,961</u>

THE HERTZ FOUNDATION
Notes to Financial Statements
June 30, 2011 and 2010

10. Employee Benefit Plan

The Foundation maintains a Simplified Employee Benefit Plan (SEP) IRA for the benefit of employees. Contributions are based on a percentage of employee compensation and totaled \$90,764 and \$98,629 for fiscal years ending June 30, 2011 and 2010, respectively.

11. Concentrations of Risk

The Foundation's financial instruments that could be exposed to concentrations of credit risk consist primarily of cash and investments. The Foundation places its cash and investments with what it believes to be quality financial institutions. Investment securities are exposed to various risks such as interest rate, market and credit. Due to the level of uncertainty related to changes in interest rates, market, volatility and credit risks, it is reasonably possible that changes in these risks could materially affect the fair value of the investments reported in the statements of financial position as of June 30, 2011 and 2010. The Foundation routinely assesses the diversification and the financial strength of its cash and investment portfolio. As a consequence, concentrations of credit risk are limited.

The Foundation received approximately 58% of contribution revenue from one donor during fiscal year June 30, 2011. There were no such concentrations in 2010.

12. Subsequent Events

The Foundation has evaluated subsequent events through November 7, 2011, the date the financial statement were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Foundation's financial statements.