**Arcus Foundation**

Financial Statements

December 31, 2010

O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

# Independent Auditors' Report

**To the Board of Directors**
**Arcus Foundation**

We have audited the accompanying statements of financial position of Arcus Foundation (the "Foundation") as of December 31, 2010 and 2009, and the related statements of activities and cash flows for the years 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Arcus Foundation as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
September 28, 2011

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**Arcus Foundation**

Statements of Financial Position

December 31,

| | 2010 | 2009 |
|---|---|---|
| **ASSETS** | | |
| Cash and cash equivalents | $ 2,578,083 | $ 15,306,437 |
| Accrued interest and dividends | 475,156 | 316,423 |
| Investments | 170,038,968 | 147,380,248 |
| Program related investment | 350,000 | 350,000 |
| Prepaid Federal excise tax | 283,000 | 59,000 |
| Property, equipment and leasehold improvements, net | 4,461,672 | 3,033,360 |
| Deferred lease cost | - | 95,379 |
| Due from Arcus Operating Foundation | 435,446 | 493,983 |
| Other assets | 565,492 | 520,672 |
| | $ 179,187,817 | $ 167,555,502 |
| **LIABILITIES AND NET ASSETS** | | |
| Liabilities | | |
| Grants payable, net | $ 16,095,727 | $ 21,720,479 |
| Accounts payable and accrued expenses | 989,785 | 634,643 |
| Deferred Federal excise tax | 695,000 | 655,000 |
| Deferred rent | 448,307 | 83,902 |
| Total Liabilities | 18,228,819 | 23,094,024 |
| Net Assets | 160,958,998 | 144,461,478 |
| | $ 179,187,817 | $ 167,555,502 |

See notes to financial statements

**Arcus Foundation**

Statements of Activities

Years Ended December 31,

| | 2010 | 2009 |
|---|---|---|
| **SUPPORT AND REVENUE** | | |
| Contributions | $ 30,790,836 | $ 35,000,089 |
| Dividends and interest | 1,751,414 | 785,285 |
| Net realized gain (loss) on investments | 12,907,476 | (7,222,772) |
| Rental income | 29,020 | 28,710 |
| Exchange rate loss | (10,474) | (6,346) |
| Total Support and Revenue | 45,468,272 | 28,584,966 |
| **GRANTS AND OPERATING EXPENSES** | | |
| Grants awarded, net | 23,332,299 | 26,838,517 |
| Salaries and wages | 2,379,426 | 1,911,953 |
| Payroll taxes and employee benefits | 702,754 | 602,228 |
| Professional fees | 2,023,354 | 1,534,071 |
| Occupancy | 368,599 | 167,377 |
| Meetings, travel and site visits | 579,098 | 439,009 |
| Postage, printing and publications | 308,076 | 179,411 |
| Office expense | 136,779 | 95,695 |
| Repairs and maintenance | 127,258 | 136,262 |
| Insurance | 66,762 | 43,553 |
| Membership dues | 30,861 | 41,774 |
| Depreciation | 387,088 | 285,309 |
| Other | 60,263 | 46,623 |
| Total Grants and Operating Expenses | 30,502,617 | 32,321,782 |
| Change in Net Assets Before Federal Excise Taxes and Unrealized Gain on Investments | 14,965,655 | (3,736,816) |
| Federal excise tax currently payable | (226,000) | (17,000) |
| Provision for deferred Federal excise tax | (40,000) | (655,000) |
| Unrealized gain on investments | 1,797,865 | 31,861,038 |
| Change in Net Assets | 16,497,520 | 27,452,222 |
| **NET ASSETS** | | |
| Beginning of year | 144,461,478 | 117,009,256 |
| End of year | $ 160,958,998 | $ 144,461,478 |

See notes to financial statements

**Arcus Foundation**

Statements of Cash Flows

Years Ended December 31,

| | 2010 | 2009 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in net assets | $ 16,497,520 | $ 27,452,222 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Bond Premium amortization | 484,025 | 84,302 |
| Depreciation and amortization | 387,088 | 285,309 |
| Provision for discount on grants payable | 337,297 | 93,100 |
| Realized (gain) loss on investments | (12,907,476) | 7,222,772 |
| Unrealized gain on investments | (1,797,865) | (31,861,038) |
| Deferred Federal excise tax provision | 40,000 | 655,000 |
| Donated stock received | (30,790,736) | (34,999,989) |
| Contributions of stock to grantees | 20,779,720 | 19,129,938 |
| Changes in operating assets and liabilities | | |
| Accrued interest and dividends | (158,733) | (194,742) |
| Prepaid Federal excise tax | (224,000) | (3,000) |
| Due from Arcus Operating Foundation | 58,537 | (415,995) |
| Other assets | (44,820) | (369,487) |
| Grants payable | (5,962,049) | 1,291,918 |
| Accounts payable and accrued liabilities | 355,142 | 331,180 |
| Deferred rent | 364,405 | 83,902 |
| Net Cash from Operating Activities | (12,581,945) | (11,214,608) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Program related investments | - | (350,000) |
| Purchase of property, equipment and leasehold improvements | (1,720,021) | (334,477) |
| Purchase of investments | (45,296,752) | (34,956,468) |
| Net proceeds from sales of investments | 46,870,364 | 340,127 |
| Net Cash from Investing Activities | (146,409) | (35,300,818) |
| Net Change in Cash and Cash Equivalents | (12,728,354) | (46,515,426) |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 15,306,437 | 61,821,863 |
| End of year | $ 2,578,083 | $ 15,306,437 |
| **SUPPLEMENTAL CASH FLOW INFORMATION** | | |
| Federal excise tax paid | $ 450,000 | $ 20,000 |

See notes to financial statements

## 1. Organization

The Arcus Foundation, (the "Foundation") formed in 1997 as the Jon L. Stryker Foundation and renamed in 2000, is a leading global philanthropic funder advancing pressing social justice and conservation issues. The mission of the Arcus Foundation is to achieve social justice that is inclusive of sexual orientation, gender identity and race, and to ensure conservation and respect of the great apes. The Foundation has offices in Kalamazoo, Michigan, Cambridge, United Kingdom, and New York City, New York.

## 2. Summary of Significant Accounting Policies

### *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### *Basis of Presentation*

Classification of the Foundation's net assets and its income and expenses are based on the existence or absence of donor imposed restrictions. As of December 31, 2010 and 2009, all net assets of the Foundation were considered to be unrestricted.

### *Cash and Cash Equivalents*

Cash and cash equivalents consist of checking and money market accounts. The Foundation considers all highly liquid debt instruments purchased with an initial maturity of three months or less to be cash equivalents.

### *Fair Value Measurements*

The Foundation follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may

## 2. Summary of Significant Accounting Policies *(continued)*

### *Fair Value Measurements (continued)*

include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

### *Investments*

Investments are carried at fair value. The fair value of alternative investments has been estimated using the Net Asset Value ("NAV") as reported by the management of the respective alternative investment fund. FASB guidance provides for the use of NAV as a "Practical Expedient" for estimating fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the Foundation's interest therein and their classification within Level 2 or 3 is based on the Foundation's ability to redeem its interest in the near term.

### *Investment Income Recognition*

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized gains and losses on the sale of investments are computed on the specific identification basis. Realized and unrealized gains and losses are included in the determination of the change in net assets.

### *Property, Equipment and Leasehold Improvements*

Property, equipment and leasehold improvements are carried at cost or appraised value at date of donation. Depreciation is computed using the straight-line method over the estimated useful life of the assets. Leasehold improvements are recorded at cost and amortized over the terms of the office lease.

### *Grants*

The liability for grants and project appropriations payable is recognized when specific grants are authorized by the Board of Directors and the recipients have been notified.

### *Contributions*

Contributions are reported as an increase in unrestricted net assets unless their use is limited by donor-imposed restrictions.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Concentration of Credit Risk*

The Foundation's cash, cash equivalents and investments are potentially exposed to concentrations of credit risk. The Foundation invests its cash and equivalents with quality financial institutions and throughout the year balances in such investments exceeded the Federal insured limits. The Foundation invests in common stocks, corporate bonds, index funds, and limited partnerships. The Foundation routinely assesses the diversification and financial strength of its cash and investment portfolio.

### *Reclassification*

Certain items in the 2009 financial statements have been reclassified for comparative purposes only.

### *Accounting for Uncertainty in Income Taxes*

Management has determined that the Foundation had no uncertain tax positions that would require financial statement recognition. The Foundation is no longer subject to audits by the applicable taxing jurisdictions for periods prior to 2007.

### *Subsequent Events Evaluation by Management*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is September 28, 2011.

## 3. Investments

The following are the classes and major categories of investments at December 31 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

| | 2010 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Common stock | | | | |
| Healthcare | $ 30,289,217 | $ - | $ - | $ 30,289,217 |
| Mutual funds | 14,974,937 | - | - | 14,974,937 |
| Government and agency notes and bonds | 776,772 | 4,298,223 | - | 5,074,995 |
| Corporate bonds | - | 28,846,191 | - | 28,846,191 |
| Private equity | - | - | 3,384,258 | 3,384,258 |
| Real asset funds | - | - | 11,282,184 | 11,282,184 |
| Hedge funds | | | | |
| Diversified strategy | - | - | 28,586,019 | 28,586,019 |
| Hedged equity | - | - | 25,277,240 | 25,277,240 |
| Strategic fixed income | - | - | 12,296,225 | 12,296,225 |
| Select equity | - | - | 10,027,702 | 10,027,702 |
| | $ 46,040,926 | $ 33,144,414 | $ 90,853,628 | $ 170,038,968 |

| | 2009 | | | |
|---|---|---|---|---|
| | (Level 1) | (Level 2) | (Level 3) | Total |
| Common stock | | | | |
| Healthcare | $ 37,496,587 | $ - | $ - | $ 37,496,587 |
| Mutual funds | 12,404,021 | - | - | 12,404,021 |
| Government and agency notes and bonds | 749,363 | 1,292,895 | - | 2,042,258 |
| Corporate bonds | - | 13,719,388 | - | 13,719,388 |
| Investment trust | - | 9,031,312 | - | 9,031,312 |
| Private equity | - | - | 3,766,246 | 3,766,246 |
| Hedge funds | | | | |
| Diversified strategy | - | - | 26,420,066 | 26,420,066 |
| Hedged equity | - | - | 23,311,132 | 23,311,132 |
| Strategic fixed income | - | - | 10,697,278 | 10,697,278 |
| Select equity | - | - | 8,491,960 | 8,491,960 |
| | $ 50,649,971 | $ 24,043,595 | $ 72,686,682 | $ 147,380,248 |

## 3. Investments (*continued*)

At December 31, marketable securities consist of shares of Stryker Corp. common stock as follows:

| | 2010 | | |
|---|---|---|---|
| | Tax Cost | Book Cost | Fair Value |
| 564,045 Shares | $ 8,082 | $ 29,759,014 | $ 30,289,217 |

| | 2009 | | |
|---|---|---|---|
| | Tax Cost | Book Cost | Fair Value |
| 744,423 Shares | $ 10,667 | $ 28,961,777 | $ 37,496,587 |

In addition to the shares of Stryker stock, the Foundation also invested in several hedge funds. Two of the hedge funds represented 17% and 15%, respectively, of the Foundation's total investment portfolio at December 31, 2010. These two hedge funds represented 18% and 16%, respectively, of the Foundation's total investment portfolio at December 31, 2009.

The following is a reconciliation of the beginning and ending balances for investments measured at fair value using significant unobservable inputs (Level 3) during the year ended December 31:

| | 2010 | | | |
|---|---|---|---|---|
| | Private Equity | Real Asset Funds | Hedge Funds | Total |
| Beginning balance | $ 3,766,246 | $ - | $ 68,920,436 | $ 72,686,682 |
| Unrealized (losses) gains relating to investments still held at the reporting date included in earnings | (196,428) | 2,282,184 | 7,266,750 | 9,352,506 |
| Purchases, issuances and settlements | (185,560) | 9,000,000 | - | 8,814,440 |
| Ending balance | $ 3,384,258 | $ 11,282,184 | $ 76,187,186 | $ 90,853,628 |

| | 2009 | | |
|---|---|---|---|
| | Private Equity | Hedge Funds | Total |
| Beginning balance | $ 2,534,121 | $ 54,597,200 | $ 57,131,321 |
| Unrealized gains relating to investments still held at the reporting date included in earnings | 1,189,948 | 11,123,236 | 12,313,184 |
| Purchases, issuances and settlements | 42,177 | 3,200,000 | 3,242,177 |
| Ending balance | $ 3,766,246 | $ 68,920,436 | $ 72,686,682 |

## 3. Investments (*continued)*

Information regarding alternative investments valued using NAV as practical expedient at December 31, 2010 is as follows:

| Description | Fair Value | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|---|---|---|---|
| Private Equity (see "a" below) | $ 3,384,258 | $ 8,755,939 | Locked | N/A |
| Real Asset Funds (see "b" below) | 11,282,184 | - | Quarterly | 105 days |
| Hedge Funds | | | | |
| Diversified strategy (see "c" below) | 28,586,019 | - | Quarterly | 105 days |
| Hedged equity (see "d" below) | 25,277,240 | - | Quarterly | 105 days |
| Strategic fixed income (see "e" below) | 12,296,225 | - | Quarterly | 105 days |
| Select equity (see "f" below) | 10,027,702 | - | Quarterly | 105 days |
| | $ 90,853,628 | $ 8,755,939 | | |

a. This is a private equity fund that invests primarily in private equity investment partnerships. The Fund makes commitments to a number of investment managers who are expected to bring business operating skills, information advantages, and at times a contrarian approach to add value at the company level through private direct ownership. Investments made directly or indirectly by the fund will generally be, by nature, illiquid and not publicly traded. The Fund is expected to consist of U.S. and international private equity funds covering a range of private equity strategies. These strategies may include, among other things, buyouts, venture capital, growth capital, investments in securities of distressed companies, or investments in companies operating within particular industries. The Fund expects to primarily make investments in investment funds, but may also make direct and secondary investments. The fair value of this investment has been estimated using the net asset value of the Foundation’s ownership interest in partners’ capital. This investment can never be redeemed with the fund. Instead, the nature of the investment is that distributions are received through liquidation of the underlying assets of the fund.

b. This is a real asset fund that allocates capital to investment managers across a broad array of natural resources sectors including, but not limited to, energy, metals, minerals, timber and agriculture. Underlying Managers are expected to add value across these commodity cycles through investment insights, research skills, business operating skills, information advantages and sector expertise. Investments made directly or indirectly by each portfolio will include commodity futures and options as well as natural resource-related public equity, fixed income, credit, foreign exchange, commodities (including futures and options) and privately-negotiated equity and debt investments.

c. The diversified strategy portfolio allocates capital to a number of investment managers who deploy their capital with flexibility across all the major markets of the world including public equity, fixed income, credit, foreign exchange, commodities, and may, from time to time, also make privately-negotiated equity and debt investments. The compositions of the portfolios relative to actual underlying asset classes are likely to

## 3. Investments (*continued*)

evolve over time based on the opportunity set in the world's markets, and also vary based on the core competencies of each underlying manager's team. Preservation of capital is typically a focus and hedging techniques are usually employed. While the portfolio will be primarily composed of investments in Fund Investments, the portfolio's investments may also include Direct Investments in any other security or financial instrument employed in the portfolio's management, including cash, publicly-traded stocks and bonds, exchange-traded funds, and exchange-traded and over-the-counter derivative contracts, or other privately-negotiated investments and Secondary Investments made by acquiring interests in pooled investment vehicles from Shareholders who are seeking liquidity.

d. The hedged equity portfolio allocates capital to a number of investment managers who approach the world's equity markets with the intention of generating positive total returns over a market cycle, while also attempting to preserve capital during adverse market conditions. The Underlying Managers typically employ hedging techniques at the single stock level, at the sector level, and sometimes at the broad market level. Underlying Managers bring an expertise to the investment process typically based on strong research skills and/or on quantitative and technical insights. The focus is on recognizing areas of value in the global equity markets, uncovering securities that may be mispriced, and identifying special situations where value is driven more by specific events and less by the ups and downs of general market movements.

e. The strategic fixed income portfolio allocates capital to a number of investment managers who approach the world's fixed income, foreign exchange, and credit markets with strong research skills and/or quantitative and technical insights. The focus in the fixed income and foreign exchange markets tends to center on identifying mispricings in securities and interest rate curves around the world. In the credit markets, the focus tends to be on preserving capital through buying at low valuations and also through securing protections for investors by being high in the capital structure and/or by being collateralized to physical and/or financial assets of a corporate balance sheet.

f. The select equity portfolio allocates capital to a number of investment managers who apply their unique insights and talents to the world's public equity markets. Each Underlying Manager will typically have an area of focus or expertise which may be sector-based, regionally-based, or style-based. The Underlying Managers' portfolios tend to be more highly concentrated than index-based portfolios as the Underlying Managers tend to hold bigger positions in a smaller number of underlying equity shares. The Underlying Managers' portfolios tend to be invested with a longer time horizon, typically one to three years, and with less attention to monthly and quarterly ups and downs of the market. The Underlying Managers' portfolios are predominantly long-biased, with little if any hedging employed.

## 3. Investments (*continued)*

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as offshore limited partnerships, venture capital funds, hedge funds, private equity funds and common trust funds. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgment.

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

## 4. Federal Excise Tax

The Foundation is exempt from Federal income taxes under Section 501(c)(3) and 509(a) of the Internal Revenue Code and has been further classified as a "private foundation." The Foundation is subject to an excise tax on its net investment income.

Excise taxes consist of two components: current taxes based upon net investment income and deferred taxes which arise from the difference between the tax cost of the investments held at year end and their fair market value.

## 5. Program Related Investments (PRIs)

The Foundation has loaned $350,000 to Ol Pejeta Ranching Limited to repay a loan which was used in 2008 for charitable expenditures related to the conservation of wildlife, providing a sanctuary for chimpanzees, and supporting community development in the greater Laikipia region of Kenya. In addition it was used to further the organizations charitable activities in 2009. The note has an interest rate of 4% per annum, compounded monthly, for a term of seven years with the first twenty-four months being interest free. Payments begin June 2011 and will be fully paid by May 2016.

PRIs, defined in IRC 4944(c), have a primary purpose of advancing the mission of the Foundation without a significant purpose of the production of income or the appreciation of property. PRIs are treated as charitable distributions on Internal Revenue Service form 990-PF, the tax and information return filed by private foundations for minimum-distribution requirement purposes.

## 6. Property, Equipment and Leasehold Improvements

As of December 31, property and equipment consisted of the following:

| | 2010 | 2009 |
|---|---|---|
| Land | $ 290,000 | $ 290,000 |
| Building and improvements | 2,589,056 | 2,580,662 |
| Leasehold Improvements | 1,243,164 | 200,231 |
| Furniture and equipment | 1,300,434 | 919,859 |
| | 5,422,654 | 3,990,752 |
| Less: accumulated depreciation | 960,982 | 957,392 |
| | $ 4,461,672 | $ 3,033,360 |

During 2010, the Foundation removed from its books and records fully depreciated fixed assets amounting to $383,498.

## 7. Grants Payable

The Foundation has entered into grant commitments with certain organizations. Payments to these organizations at December 31, 2010 and 2009 are to be made as follows:

| | 2010 | 2009 |
|---|---|---|
| Less than one year | $ 13,286,824 | $ 12,859,518 |
| One to four years | 2,991,243 | 5,630,600 |
| Thereafter | - | 3,750,000 |
| | 16,278,067 | 22,240,118 |
| Less: present value discount | 182,340 | 519,639 |
| Grants payable, net | $ 16,095,727 | $ 21,720,479 |

To reflect the time value of money, grants payable as of December 31, 2010 and 2009 were discounted to their present value.

## 8. Grants Awarded, net

| | 2010 | 2009 |
|---|---|---|
| Grants awarded | $ 26,483,169 | $ 26,901,091 |
| Grants rescinded and refunded | (3,536,511) | (182,064) |
| Stock transfer adjustment | 48,344 | 26,389 |
| Provision for present value discount | 337,297 | 93,101 |
| Grants awarded, net | $ 23,332,299 | $ 26,838,517 |

## 8. Grants Awarded, net (*continued)*

In 2010, the Foundation modified a prior year, multi-year grant award to Lewa Wildlife Conservancy, from its original amount of $5,000,000, payable over 20 years to $2,000,000 payable in 2010. Accordingly, the 2010 Grants awarded, as presented in the statements of activities reflects this $3,000,000 reduction.

## 9. Retirement Plan

The Foundation maintains a 401(k) plan, which covers all employees on the first day of the month following his/her start date. Eligible employees may defer a portion of their compensation, not to exceed the annual limit set by the Internal Revenue Code. The Foundation matches 100% of the first 3% and 50% of the next 2% of an employee contribution. In addition the Foundation makes defined contributions of 10% of an eligible employee's annual compensation. Retirement plan expense totaled $281,918 and $242,894 for 2010 and 2009.

## 10. Commitments

The Foundation entered into a lease agreement commencing November 1, 2009 and expiring August 25, 2025 for space at 44 West 28th, NY, NY. The Foundation moved into this space in the fall of 2010. In connection with this lease the Foundation incurred $1,243,164 consisting of construction and professional fees, which will be amortized over the term of the lease. The Foundation has a letter of credit obligation of $312,768 as a guarantee for the lease agreement.

The Foundation also occupies space in the United Kingdom under a lease agreement which expires December 31, 2011.

Future minimum obligations under these leases, exclusive of required payments for increases in real estate taxes and operating expenses, are as follows:

| | |
|---|---|
| 2011 | $ 463,939 |
| 2012 | 429,605 |
| 2013 | 439,271 |
| 2014 | 449,155 |
| 2015 | 470,845 |
| Thereafter | 5,622,665 |
| | $ 7,875,480 |

**11. Related Party**

The Foundation and the Arcus Operating Foundation ("AOF") are related organizations with directors and officers in common. There is an administrative service agreement between the two organizations where by the Foundation provides AOF with staff, space and general administration support and AOF reimburses the Foundation for such costs and services. At December 31, 2010 and 2009, the total of $435,446 and $493,983 was due from AOF.

**12. Subsequent Event**

In February 2011, the Foundation received 498,170 shares of Stryker Corporation common stock with a fair value of approximately $30,020,000 at date of donation.