THE J. PAUL GETTY TRUST

Financial Statements

June 30, 2009 and 2008

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 700
20 Pacifica
Irvine, CA 92618-3391

Independent Auditors' Report

The Board of Trustees
The J. Paul Getty Trust:

We have audited the accompanying statements of financial position of The J. Paul Getty Trust (the Trust) (a tax-exempt, private operating foundation) as of June 30, 2009 and 2008, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Trust'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 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 Trust'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 The J. Paul Getty Trust as of June 30, 2009 and 2008, and the changes in its net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in notes 2 and 4 to the financial statements, the Trust adopted the provisions of Statement of Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements*, as of July 1, 2008, for fair value measurements of all financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis.

KPMG LLP

November 13, 2009

THE J. PAUL GETTY TRUST

Statements of Financial Position

June 30, 2009 and 2008

(Amounts in thousands)

Assets		**2009**	**2008**
Cash	$	253	288
Receivables:			
Investments		76,645	44,189
Interest and dividends		2,690	5,947
Other		1,643	2,130
Investments		4,335,106	5,738,151
Investments loaned under securities lending agreement		126,203	240,738
Investments whose use is limited		1,640	1,783
Collateral held under securities lending agreement		128,220	249,690
Property and equipment, net		1,305,159	1,355,651
Collections and other assets		1,914,480	1,886,685
	$	7,892,039	9,525,252
Liabilities and Net Assets			
Liabilities:			
Accounts payable	$	15,013	27,910
Payables on investment purchases		72,893	59,641
Accrued and other liabilities		204,875	130,946
Payable under securities lending agreement		130,828	249,690
Bonds payable		626,630	630,555
		1,050,239	1,098,742
Net assets:			
Unrestricted		6,840,223	8,425,044
Temporarily restricted		1,017	916
Permanently restricted		560	550
		6,841,800	8,426,510
	$	7,892,039	9,525,252

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Activities

Years ended June 30, 2009 and 2008

(Amounts in thousands)

		2009	2008
Change in unrestricted net assets:			
Revenues and other support:			
Sales and other income	$	24,505	25,204
Contributions		4,396	3,849
Investment loss:			
Interest and dividend income, net		45,617	74,334
Net realized and unrealized loss on investments		(1,290,686)	(213,872)
Net investment loss		(1,245,069)	(139,538)
Net realized and unrealized loss on interest rate swap agreements		(47,696)	(30,359)
Net assets released from restriction		386	393
Total revenues, support, and losses		(1,263,478)	(140,451)
Expenses:			
Program services:			
Museum		170,197	181,300
Research Institute		53,042	67,431
Conservation Institute		33,015	41,547
Foundation		33,259	46,395
Total program services		289,513	336,673
Supporting services:			
General and administrative		11,240	11,890
Total expenses		300,753	348,563
Pension and other post retirement plans adjustments		(20,590)	53,168
Loss on debt extinguishment		—	(17,318)
Change in unrestricted net assets		(1,584,821)	(453,164)
Change in temporarily restricted net assets:			
Contributions		487	632
Net assets released from restriction		(386)	(393)
Change in temporarily restricted net assets		101	239
Change in permanently restricted net assets:			
Contributions		10	225
Change in net assets		(1,584,710)	(452,700)
Net assets, beginning of year		8,426,510	8,879,210
Net assets, end of year	$	6,841,800	8,426,510

See accompanying notes to financial statements.

THE J. PAUL GETTY TRUST

Statements of Cash Flows

Years ended June 30, 2009 and 2008

(Amounts in thousands)

		2009	2008
Cash flows from operating activities:			
Change in net assets	$	(1,584,710)	(452,700)
Adjustments to reconcile change in net assets to net cash used in operating activities:			
Depreciation and amortization		47,889	48,230
Amortization of bond discount		—	1,222
Net realized and unrealized loss on investments		1,290,686	213,872
Unrealized loss on interest rate swap agreements		47,696	30,359
Noncash contributions of art		(4,025)	(2,903)
Loss on disposition of property and equipment		4,342	5,998
Gain on disposition of collection items		—	(66)
Pension-related changes		25,251	(22,907)
Contributions restricted for long-term investment		(10)	(225)
Changes in operating assets and liabilities:			
Interest and dividends receivable		3,257	(411)
Other receivables		487	1,883
Other assets		259	1,453
Accounts payable		(12,897)	7,512
Accrued and other liabilities		982	(6,869)
Net cash used in operating activities		(180,793)	(175,552)
Cash flows from investing activities:			
Proceeds from sales of investments		5,271,979	4,835,136
Purchases of investments		(5,061,538)	(4,583,539)
Purchases of collection items		(24,012)	(81,351)
Proceeds from the sale of collection items		—	66
Purchases of property and equipment		(4,991)	(8,454)
Proceeds from sale of property and equipment		3,235	35
Net cash provided by investing activities		184,673	161,893
Cash flows from financing activities:			
Proceeds from bonds payable		350,475	540,950
Payments on bonds payable		(354,400)	(524,255)
Payment on termination of swap agreement		—	(3,280)
Contributions restricted for long-term investment		10	225
Net cash provided by (used in) financing activities		(3,915)	13,640
Net decrease in cash		(35)	(19)
Cash, beginning of year		288	307
Cash, end of year	$	253	288
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$	20,715	21,887

See accompanying notes to financial statements.

(1) Organization

The J. Paul Getty Trust (the Trust) is a tax-exempt, private operating foundation whose mission serves both general audiences and specialized professionals. The Trust is a cultural and educational institution that focuses on the visual arts in all of their dimensions and their capacity to strengthen and to inspire aesthetic and humanistic values. It is dedicated to the presentation, enjoyment, study, and conservation of the visual arts and humanities in order to offer the public opportunities to more fully understand, experience, value, and preserve the world's art and cultural heritage.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Presentation

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

The Trust recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of the Trust and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets that are not subject to donor-imposed stipulations and that may be expendable for any purpose in carrying out the Trust's mission. As of June 30, 2009 and 2008, unrestricted net assets totaled $6,840,223,000 and $8,425,044,000, respectively.
- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Trust and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying statements of activities as net assets released from restrictions. Donor-restricted contributions received and expended in the same reporting period are recorded as unrestricted support. As of June 30, 2009 and 2008, temporarily restricted net assets totaled $1,017,000 and $916,000, respectively.
- *Permanently restricted net assets* – Net assets subject to donor-imposed stipulations that resources be maintained in perpetuity. Investment income generated from these funds is available for general support of the Trust's programs and operations unless otherwise stipulated by the donor. As of June 30, 2009 and 2008, permanently restricted net assets totaled $560,000 and $550,000, respectively.

(b) New Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 is generally effective for fiscal years beginning after November 15, 2007. In February 2008, the FASB issued FASB Staff Position (FSP) No. FAS 157-2, *Effective Date of FASB Statement No. 157*, which provides a one-year deferral of the effective date of SFAS No. 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. Therefore, effective July 1, 2008, the Trust adopted the provisions of SFAS No. 157. The adoption of the provisions of SFAS No. 157 resulted in additional financial statement disclosures and did not have an impact on the Trust's change in net assets or financial position.

In August 2008, the FASB issued FASB Staff Position No. FAS 117-1 (FSP 117-1), *Endowments of Not-for-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds*. FSP 117-1 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA) and provides improved disclosures about an organization's endowment funds. Therefore, effective July 1, 2008, the Trust adopted the provisions of FSP 117-1. See the enhanced disclosures required by FSP 117-1 at note 11 to the accompanying financial statements.

(c) Fair Value of Financial Instruments

Fair Value Determination

The fair value of the Trust's financial instruments as of June 30, 2009 represent Management's best estimates of the amounts that would be received to sell those assets in an orderly transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there are little, if any observable inputs, management's own judgments about the assumptions of market participants were used in pricing the asset. Those judgments are developed by management based on the best information available in the circumstances as further detailed in note 4 to the financial statements.

Fair Value Hierarchy

The Trust adopted the provisions of SFAS No. 157 on July 1, 2008 for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level I measurements) and the lowest priority to measurements involving significant unobservable inputs (Level III measurements). The three levels of the fair value hierarchy are as follows:

- Level I inputs are quoted prices (unadjusted) in active markets for identical assets that the entity has the ability to access at the measurement date.
- Level II inputs are inputs other than quoted prices included within Level I that are observable for the assets, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other observable inputs that can be corroborated by observable market data.
- Level III inputs are unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset.

The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

In conjunction with the adoption of SFAS No. 157, the Trust elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*, to certain investments in funds that do not have readily determinable fair values including private equity, venture capital, hedge funds, distressed debt, real assets, and other funds. This guidance amends SFAS No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances may not equal fair value that would be calculated pursuant to SFAS No. 157.

(d) Investments

Investments are stated at fair value at June 30, 2009 and 2008. Fair value is determined based on quoted market prices or other observable inputs, except for alternative investments where such inputs are unobservable. A significant portion of the Trust's alternative investments portfolio is made up of limited partnerships, which include private equity, venture capital, hedge funds, distressed debt, real assets, and other funds. Limited partnerships invest in both publicly traded and private securities and are reported at estimated fair value. Because the valuation of alternative investments depends on significant unobservable inputs, their estimated fair value is subject to uncertainty and includes the use of management estimates.

Unrealized gain or loss on investments is recorded in the statements of activities. Investment purchases and sales are recorded on a trade-date basis. Dividend income is recorded based upon the ex-dividend date, and interest income is recorded as earned on an accrual basis.

Futures, forwards, and options contracts are marked to market with the change reflected in net realized and unrealized gains on investments in the accompanying statements of activities.

(e) Property and Equipment

Property and equipment are recorded at cost and depreciated on a straight-line basis over the estimated useful lives of the respective assets or amortized over the terms of the respective leases, whichever is shorter, as follows:

Buildings	25 to 50 years
Building improvements	Up to 25 years
Leasehold improvements	Lesser of life of asset or lease term
Furniture, equipment, and exhibits	4 to 25 years

The Trust reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of property, buildings, furniture, and equipment may not be recoverable. If such asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds the fair value of the asset. No events occurred giving rise to any material impairment loss during the fiscal years ended June 30, 2009 and 2008.

(f) Collections and Other Assets

Included in collections and other assets are the Trust's collections, which comprise art objects, artifacts of historical significance, and the research and photographic libraries that are held for exhibition and educational, research, and curatorial purposes. Collection items are recorded at cost if purchased or, if contributed, at appraised value at the date of contribution. As of June 30, 2009 and 2008, the Trust's collection totaled $1,901,671,000 and $1,873,802,000, respectively.

The publication inventory, also carried as a component of collections and other assets, is carried at the lower of cost or estimated net realizable value, totaling $5,522,000 and $6,122,000 at June 30, 2009 and 2008, respectively.

Objects in the Trust's collection may be subject to decreases in value due to changes in attribution. In addition, objects in the Trust's collection may be subject to forfeiture or other claims made by individuals, for example, objects appropriated during the Nazi era, or by countries related to the return of cultural property. The Trust closely monitors these risks, and when it is determined that the value of an item may be impaired and the loss can be estimated, the Trust adjusts the value of the assets by establishing a reserve. As of June 30, 2009 and 2008, the Trust's reserve totaled $8,551,000 and $8,534,000, respectively.

(g) Grant Expenditures

Grant expenditures are recognized as expense in the period the grant is approved, provided the grant is not subject to future conditions, including grants that are expected to be paid in future years.

(h) Contributed Services

Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Trust receives a significant amount of contributed time from unpaid volunteers that does not meet the two recognition criteria described above. Accordingly, the value of this contributed time is not reflected in the accompanying financial statements.

(i) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the accompanying statements of activities. Certain costs have been allocated among the programs and supporting services benefited based on management's estimates.

(j) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(k) Income Taxes

The Trust has been classified as a tax-exempt private operating foundation under Sections 501(c)(3) and 4942(j)(3) of the Internal Revenue Code (IRC) and Section 23701(d) of the California Revenue and Taxation Code. The Trust also qualifies as an exempt operating foundation as described in IRC 4940(d)(2) and, as such, is not subject to federal excise taxes on its net investment income under IRC Section 4940.

The Trust has applied the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 also prescribes a recognition threshold and measurement standard for the financial statement recognition and measurement of an income tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized or continue to be recognized upon adoption. In addition, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 did not have a significant impact on the financial statements of the Trust.

(l) Reclassifications

Certain reclassifications have been made to the 2008 financial data to conform to the 2009 presentation.

(3) Investments

At June 30, 2009 and 2008, the Trust's investments, at fair value, consist of the following:

		2009	2008
		(Amounts in thousands)	
Short-term investments	$	295,622	289,489
U.S. Treasury and agency securities		103,496	220,760
Corporate bonds		148,742	295,188
Alternative investments		2,905,758	3,711,139
Common stocks		460,008	725,407
Commingled funds		549,323	738,689
	$	4,462,949	5,980,672
Investments	$	4,335,106	5,738,151
Investments loaned under secured lending agreement		126,203	240,738
Investments whose use is limited		1,640	1,783
	$	4,462,949	5,980,672

(4) Fair Values of Financial Instruments

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2009:

		Level 1	Level 2	Level 3	Total
			(Amounts in thousands)		
Assets:					
Short-term investments	$	38,216	257,406	—	295,622
U.S. Treasury and agency securities		—	103,496	—	103,496
Corporate bonds		—	146,165	2,577	148,742
Alternative investments		—	2,432	2,903,326	2,905,758
Common stocks		458,720	321	967	460,008
Commingled funds		—	485,448	63,875	549,323
Collateral held under securities lending agreement		—	—	128,220	128,220
Total assets	$	496,936	995,268	3,098,965	4,591,169
Liabilities:					
Interest rate swaps	$	—	(73,884)	—	(73,884)
Total liabilities	$	—	(73,884)	—	(73,884)

The following table is a reconciliation of the change in investments for which Level 3 inputs were used to determine fair value as of June 30, 2009:

		Fair value measurements using significant unobservable inputs (Level 3)
		(Amounts in thousands)
Beginning balance as of July 1, 2008	$	3,962,675
Net sales		(78,629)
Total realized and unrealized losses, net		(785,081)
Ending balance as of June 30, 2009	$	3,098,965
Total gains or losses for the year ending June 30, 2009 included in income attributable to the change in unrealized gains or losses relating to assets and liabilities held at June 30, 2009	$	(820,318)

(Continued)

Under SFAS No. 157, inputs refer broadly to the assumptions that market participants would use in pricing an asset or liability. Level 3 investments include private equity, venture capital, hedge funds, distressed debt, real assets, and other funds. The Trust determines the value of these investments based on the most recent audited and unaudited financial statements provided by the underlying direct managers of such investments, modified as necessary in the Trust’s judgment to reflect other relevant extrinsic information available to the Trust. The absence of readily available quoted prices or observable inputs place these investments as Level 3 holdings.

Realized and unrealized gains and losses for the period are included in investment loss in the accompanying statements of activities.

The Trust has investments in private equity partnerships. The future commitments to fund these partnerships totaled approximately $1,125,664,000 and $1,338,042,000 as of June 30, 2009 and 2008, respectively.

Investments Whose Use Is Limited

Investments whose use is limited consist of amounts that are temporarily restricted by donors as well as those restricted by donors for investment in perpetuity and amounts related to interest due to bond holders. As of June 30, 2009 and 2008, investments whose use is limited totaled $1,640,000 and $1,783,000, respectively.

(5) Derivative Financial Instruments

In the normal course of business, the Trust uses various financial instruments, including derivative financial instruments, in an effort to manage the Trust’s exposure to certain risks.

The Trust primarily uses a combination of forward contracts and futures to manage price, currency, and interest rate exposures associated with specific activities. Under these instruments, the Trust agrees to the future delivery of a currency or security, on an agreed-upon date and at an agreed-upon price. These contracts are entered into with the intention to minimize the Trust’s economic exposure to adverse fluctuations in financial or currency markets and to reduce interest rate risk.

The Trust also enters into derivative instruments as an alternative to ownership of the underlying asset. Specifically, forward contracts are used as an alternative to ownership.

All of the Trust’s derivative instrument positions are marked to fair value as a component of investment income. These amounts are included in investments in U.S. Treasury and agency securities and alternative investments as presented in note 3.

The notional units and fair values of forward contracts and futures as of June 30, 2009 and 2008 are as follows (amounts in thousands):

	2009		2008	
	Notional units	Fair value	Notional units	Fair value
Net forward contracts to sell (purchase)	(6,112)	$ (239)	(239,993)	$ 89
Futures	77,375	1,391	174,150	2,026
		$ 1,152		$ 2,115

The Trust's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the statements of financial position, arising either from potential changes in market prices or the possible inability of counterparties to meet the terms of their contracts. The Trust's investment advisors and management closely monitor the financial condition of the firms used for these contracts in order to minimize the risk of loss. Management believes the Trust's use of derivatives does not result in credit or market risk that would materially affect the Trust's financial position.

(6) Securities Lending

The Trust participates in securities lending transactions with a third-party investment company whereby the Trust lends investments in exchange for a premium. Under the terms of its securities lending agreement, the Trust requires collateral of a value at least equal to 102% of the then fair value of the loaned investments (105% for loaned securities not denominated in U.S. dollars). Securities are marked-to-market on a daily basis and collateral is adjusted accordingly. The Trust maintains effective control of the loaned investments during the term of the agreement, in that they may be redeemed by the Trust prior to the agreement's maturity. Upon the maturity of the agreement, the borrower must return the same, or substantially the same, investments that were borrowed. The risks to the Trust of securities lending transactions are that the borrower may not provide additional collateral when required or may not return the investments when due. The Trust may also be exposed to the risk from the investment of the collateral. Investments loaned under securities lending transactions totaled $126,203,000 and $240,738,000 as of June 30, 2009 and 2008, respectively. Cash and noncash financial instruments received as collateral totaled $116,494,000 and $11,726,000 as of June 30, 2009, respectively, and $216,735,000 and $32,955,000 as of June 30, 2008, respectively. Amounts received as collateral are separately disclosed as a payable under securities lending agreement in the accompanying statements of financial position as of June 30, 2009 and 2008.

(7) Property and Equipment

At June 30, 2009 and 2008, property and equipment consist of the following:

	2009	2008
	(Amounts in thousands)	
Land and improvements	$ 81,394	82,662
Buildings	1,599,989	1,603,450
Leasehold improvements	825	825
Furniture and equipment	64,255	93,465
Work in progress	5,796	7,153
	1,752,259	1,787,555
Less accumulated depreciation and amortization	(447,100)	(431,904)
	$ 1,305,159	1,355,651

(8) Bonds Payable

As of June 30, bonds payable and the associated interest rates, and maturities are as follows:

Reference number (see below)	Series	2009 Interest rate *	Maturity dates	2009 Principal	2008 Principal
1	2003A	3.90%	4/1/2033	$ 85,000,000	85,000,000
2	2003B		4/1/2033	—	80,000,000
3	2003B	0.25	4/1/2033	40,000,000	—
4	2003B	0.60	4/1/2033	20,000,000	—
5	2003B	0.70	4/1/2033	20,000,000	—
6	2003C	3.90	4/1/2033	55,000,000	55,000,000
7	2003D	0.13	4/1/2033	55,000,000	55,000,000
8	2004A	4.00	10/1/2023	40,580,000	42,545,000
9	2004B	0.13	10/1/2023	40,575,000	42,535,000
10	2007A		10/1/2047	—	270,475,000
11	2007A-1	2.50	10/1/2047	81,150,000	—
12	2007A-2	0.50	10/1/2047	81,125,000	—
13	2007A-3	2.25	10/1/2047	54,100,000	—
14	2007A-4	1.65	10/1/2047	54,100,000	—
				$ 626,630,000	630,555,000

* Interest rates are not fixed to the maturity date and adjust at various frequencies or dates as noted below.

(a) 2003 Variable Rate Revenue Bonds

On May 12, 2003, the Trust issued $275,000,000 (#1 – #7) in variable rate revenue bonds issued by the California Infrastructure and Economic Development Bank, which mature on April 1, 2033. Proceeds were used to finance a portion of the Getty Villa renovation and the bond issuance costs. Interest rates are adjusted when the bonds are remarketed. On February 2, 2006, the bonds were remarketed in two tranches. The first tranche of $140,000,000 (#1 and #6) was remarketed on August 2, 2006 at an interest rate of 3.90% for a term through December 1, 2011. The second tranche of $135,000,000 (#2 and #7) was remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market, which was 0.13% and 1.45% at June 30, 2009 and 2008, respectively. On March 18, 2009, $80,000,000 of the second tranche was remarketed to convert from daily interest mode to commercial paper mode. The bonds were remarketed with three maturities; as of June 30, 2009, $40,000,000 (#3) matures August 11, 2009 at an interest rate of 0.25%, $20,000,000 (#4) matures September 3, 2009 at an interest rate of 0.60%, and $20,000,000 (#5) matures December 3, 2009 at an interest rate of 0.70%. The redemption period for the bonds begins April 1, 2012 and ends April 1, 2033. Accrued interest on the bonds as of June 30, 2009 and 2008 was $1,454,000 and $1,477,000, respectively.

(b) 2003 Taxable Bonds and 2007A Bonds

On October 1, 2003, the Trust issued $250,000,000 Series 2003 Taxable Bonds maturing on October 1, 2033. The proceeds were used to finance or refinance capital projects of the Trust, including but not limited to the acquisition of objects of art.

On October 3, 2007, The Trust commenced a tender offer for the 2003 Taxable Bonds. The Series 2007A Bonds were issued by the California Infrastructure and Economic Development Bank at par value of $270,475,000 (#10) and mature on October 1, 2047. The funds were used to repurchase the 2003 Taxable Bonds tendered by the owners and to contribute any funds required to complete the legal defeasance of such 2003 Taxable Bonds not tendered. An amount of $687,000 and $695,000 at June 30, 2009 and 2008, respectively, consisting of U.S. government securities, is held in trust solely for satisfying the interest and principal payments of these untendered bonds. The amount held in trust and the related bonds has been removed from the accompanying financial statements. Up until they were remarketed at a fixed interest rate in March 2008, the Series 2007A Bonds bore interest based on generally successive seven-day Auction Period Rates.

In March 2008, the Series 2007A Bonds (#10) were remarketed at a fixed interest rate of 1.70%, with a mandatory tender on April 1, 2009. In March 2009, the Series 2007A Bonds were remarketed in four tranches with four put dates: Series 2007A-1 $81,150,000 (#11) and a put date of April 1, 2013 at an interest rate fixed at 2.50%, Series 2007A-2 $81,125,000 (#12) and a put date of April 1, 2010 at an interest rate fixed at 0.50%, Series 2007A-3 $54,100,000 (#13) and a put date of April 1, 2012 at an interest rate fixed at 2.25%, and Series 2007A-4 $54,100,000 (#14) and a put date of April 1, 2011 with an interest rate fixed at 1.65%. Accrued interest on the bonds as of June 30, 2009 and 2008 was $1,136,000 and $1,219,000, respectively.

(c) 2004A and 2004B Variable Rate Revenue Bonds

On September 1, 2004, the Trust issued $96,000,000 in variable rate revenue bonds (#8 – #9). The bonds mature on October 1, 2023. Proceeds were used to refund $95,645,000 of the outstanding principal amount of the Trust’s 1994 Revenue Bonds. The bonds were remarketed in two tranches on February 2, 2006. The first tranche of $46,255,000 (#8) was remarketed on August 2, 2006 at an interest rate of 4.00% for a term through December 1, 2011. The second tranche of $46,250,000 (#9) was remarketed on February 2, 2007 with interest rates adjusted daily based on the rates available to investors in the tax-exempt municipal bond market, which was 0.13% and 1.45% at June 30, 2009 and 2008, respectively. The Trust remitted a principal pay-down of $3,925,000, resulting in an outstanding balance of $81,155,000 (#8 and #9) as of June 30, 2009. Accrued interest on the bonds as of June 30, 2009 and 2008 was $1,042,000 and $1,032,000, respectively.

The following is a schedule by year of future maturities for the outstanding bond obligations as of June 30 (amounts in thousands):

		Principal amount
Year ending June 30:		
2010	$	4,075
2011		4,235
2012		8,730
2013		9,090
2014		9,125
Thereafter		591,375
	$	626,630

(9) Interest Rate Swap Agreements

In conjunction with the issuance of variable rate bonds, as discussed below, the Trust entered into interest rate swap agreements with the following two counterparties (including their Moody's/S&P ratings): Morgan Stanley A2/A and J.P. Morgan Chase Bank Aa1/AA-. The swap agreements for each variable rate bond are as follows:

(a) 2003 Variable Rate Revenue Bonds Swap Agreement

In connection with the issuance of $275,000,000 in variable rate revenue bonds (Series 2003A-D) discussed in note 8(a), the Trust entered into interest rate swap agreements with the two counterparties in May 2003, which became effective May 13, 2004 and will terminate April 1, 2033. The swap agreements for each counterparty are against a notional amount of $137,500,000, for a total notional amount of $275,000,000. The Trust receives payments from the counterparties based on 70% of one-month LIBOR and pays the swap counterparties a fixed rate of 3.670% in return. In March, 2009 these agreements were amended such that the Trust receives payments from the two counterparties based on 70% of three-month LIBOR and pays the counterparties a fixed blended rate of 3.742% in return.

In connection with the remarketing of the 2003 variable rate revenue bonds on February 2, 2006, the Trust entered into additional interest rate swap transactions with the two original counterparties involved in the initial swap transaction noted above. The notional amount of the swap agreements totaled $275,000,000. Under these additional interest rate swaps, the Trust received payments calculated by reference to a fixed interest rate of 3.305% and made payments calculated by reference to the weekly BMA Municipal Swap Index. These agreements terminated in two tranches. The notional amount of $140,000,000 terminated on August 1, 2006, while the notional amount of $135,000,000 terminated on February 1, 2007. On August 2, 2006, in connection with the remarketing of the 2003 variable rate revenue bonds, swap agreements were entered into with the two original counterparties for a total notional amount of $140,000,000. The Trust receives payments of 3.779% and makes payments calculated by reference to the weekly BMA Municipal Swap Index, which was 0.35% at June 30, 2009. These agreements expire on December 1, 2011.

During the years ended June 30, 2009 and 2008, the valuation of the swap agreements resulted in a net unrealized loss of $17,481,000 and $16,327,000, respectively.

(b) 2003 Taxable Bonds and 2007A Bonds Swap Agreement

In October 2004, the Trust entered into a fixed-to-floating swap agreement with the two counterparties in conjunction with the $250,000,000 taxable bond transaction that the Trust had completed in October 2003 (Series 2003) discussed in note 8(b). The Trust receives a fixed rate payment of 5.325% on the notional amount of $250,000,000, through the planned termination date of October 1, 2033, and makes a fixed payment of 3.931% until October 1, 2013, at which time the Trust will pay a variable rate based on one-month LIBOR. The counterparties have an option to terminate the swap agreement on October 1, 2013 and semiannually thereafter.

In October 2007, in connection with the tender offer for the 2003 Taxable Bonds, the swap agreements with the two counterparties were terminated. A termination payment of $3,280,000 was made by the Trust resulting in a gain of $3,536,000. In addition, in October 2007, in connection with the issuance of Series 2007A Bonds, swap agreements were entered into with the two counterparties. The notional amount of the swap agreements totaled $270,475,000. The Trust receives payments based on 62.500% of one-month LIBOR and makes payments at a fixed interest rate of 3.384%. In March 2009, these two agreements were amended such that the Trust receives payments based on 62.500% of three-month LIBOR and makes payments at a fixed blended rate of 3.4265%. During the years ended June 30, 2009 and 2008, the valuation of the swap agreements resulted in a net unrealized loss of $27,513,000 and $14,561,000, respectively.

(c) 2004 Variable Rate Revenue Bonds Swap Agreement

In connection with the issuance of $96,000,000 in variable rate revenue bonds (Series 2004A-B) discussed in note 8(c), the Trust entered into interest rate swap agreements with the two counterparties in October 2004. The notional amounts of the swaps for the years ended June 30, 2009 and 2008 are $79,360,000 and $82,915,000, respectively. The Trust receives payments from the counterparties based on 67.000% of one-month LIBOR less 0.200% and pays the swap counterparties a fixed rate of 3.750% in return. In March 2009, these agreements were amended such that the Trust receives payments from the counterparties based on 67.000% of three-month LIBOR less 0.200% and pays the counterparties a fixed rate of 3.844% in return. During the years ended June 30, 2009 and 2008, the valuation of these agreements resulted in a net unrealized loss of $3,727,000 and $4,127,000, respectively.

In connection with the remarketing of the 2004 variable rate revenue bonds on February 2, 2006, the Trust entered into additional interest rate swap transactions with the two original counterparties involved in the initial swap transaction. The notional amount of the swap agreements totaled $89,560,000. Under these additional interest rate swaps, the Trust received payments calculated by reference to a fixed interest rate of 3.305% and made payments calculated by reference to the weekly

BMA Municipal Swap Index. These agreements terminated in two tranches of $44,780,000, the first terminating on August 1, 2006 and the second on February 1, 2007.

On August 2, 2006, in connection with the remarketing of the 2004 variable rate revenue bonds, swap agreements with a total notional amount of $44,780,000 were entered into with the same two counterparties, expiring on December 1, 2011. The notional balances of the swaps for the years ended June 30, 2009 and 2008 are $39,680,000 and $41,455,000, respectively. The Trust receives fixed payments of 3.769% and makes payments calculated by reference to the weekly BMA Municipal Swap Index, which was 0.35% at June 30, 2009. During the years ended June 30, 2009 and 2008, the valuation of these swap agreements resulted in a net unrealized gain of $1,025,000 and $1,120,000, respectively.

(10) Retirement Plans and Postretirement Medical Benefits

The Trust has a defined benefit retirement plan covering substantially all of its employees. The benefits are based on years of service and the employee's highest consecutive five years of compensation during the last 10 years of employment. In addition, the Trust provides supplemental retirement defined benefits for certain former executives as outlined in their respective employment contracts.

The Trust also provides postretirement healthcare benefits to eligible employees. The cost of providing these benefits is substantially borne by the Trust. During the year ended June 30, 2009, the Trust modified this plan. All employees who have attained age 50 with at least five years of service as of January 1, 2009, are eligible for the existing retiree medical benefits currently provided to retirees. All other active employees will be entitled to a $100 monthly contribution upon retirement towards a group healthcare plan upon reaching age 55, with 10 years of service. No change was made to the medical benefits received by current retirees.

(a) Funded Status

The following table sets forth the plans' projected benefit obligation (a measure of a pension plan's liability at the calculation date assuming that the plan is ongoing and will not terminate in the foreseeable future), fair value of plan assets, and funded status as of June 30, 2009 and 2008:

		Defined benefit plans		Postretirement medical	
		2009	2008	2009	2008
		(Amounts in thousands)			
Benefit obligation	$	(127,909)	(113,777)	(67,116)	(69,196)
Fair value of plan assets		83,550	96,749	—	—
Funded status		(44,359)	(17,028)	(67,116)	(69,196)
Accrued benefit cost recognized in the statement of financial position	$	(44,359)	(17,028)	(67,116)	(69,196)

The accumulated benefit obligation (a measure of a pension plan's liability in the event of a termination at the date the calculation is performed) for the pension plans was $109,403,000 and $97,024,000 as of June 30, 2009 and 2008, respectively.

(b) Assumptions

The weighted average assumptions used to determine the net pension cost and pension obligations at June 30, 2009 and 2008 are as follows:

	Defined benefit plans	
	2009	**2008**
Discount rate used to determine:		
Net periodic pension cost	7.15%	6.40%
Benefit obligations	6.90	7.15
Expected long-term rate of return on plan assets	8.00	8.00
Rate of compensation increase	4.00	4.00
Measurement date	June 30, 2009	June 30, 2008

The following are the assumed healthcare trend rates and discount rates related to the postretirement healthcare benefits:

	Postretirement medical	
	2009	**2008**
Healthcare cost trend assumed for the next year	9.00%	9.50%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.00	5.00
Year that the rate reaches the ultimate trend rate	2020	2016
Discount rate	6.90%	7.15%
Measurement date	June 30, 2009	June 30, 2008

(c) Pension Plan Investments

The asset allocations for the pension plans as of June 30, 2009 and 2008 are as follows:

	Defined benefit plans			
	2009		**2008**	
	Actual	**Target**	**Actual**	**Target**
Asset allocations:				
Equity securities	66.00%	64.00%	75.00%	75.00%
Debt securities	20.00	20.00	16.00	25.00
All others	14.00	16.00	9.00	—
	100.00%	100.00%	100.00%	100.00%

The investment policy of the defined benefit plans is intended to maximize total return consistent with the income needs and risk tolerance for the plans. The plans have a long-term investment horizon consistent with the long-term nature of the retirement obligations. The policy and risk tolerance for the plans are reflected in the asset allocation target approved by the Investment Committee. The asset allocation targets are reviewed periodically by the Investment Committee of the Board of Trustees to ensure that the targets are consistent with the plan policy and strategic objectives. The actual asset allocation is rebalanced as appropriate to match the target weights. Domestic equity assets are invested in an index fund that replicates the Wilshire 5000 index, and international equity assets are invested in an index fund that replicates the MSCI EAFE index. Fixed-income assets are invested in an intermediate bond fund account that is actively managed by PIMCO and is benchmarked against the Lehman Aggregate index.

The plans have an expected long-term rate of return assumption of 8%. This assumption reflects the asset allocation targets and both the historical and projected long-term return assumptions for each asset class in the portfolio.

(d) Benefit Payments and Contributions

		Defined benefit plans		Postretirement medical	
		2009	**2008**	**2009**	**2008**
		(Amounts in thousands)			
Employer contributions	$	6,967	6,967	500	478
Benefits paid		(3,455)	(3,039)	(500)	(478)

The following is a schedule based on actuarial calculations of expected future benefit payments over the next 10 fiscal years:

		Defined benefit plans	Postretirement medical
		(Amounts in thousands)	
Fiscal year ending June 30:			
2010	$	4,582	1,559
2011		4,963	1,914
2012		5,444	2,314
2013		6,019	2,775
2014		6,634	3,370
2015 – 2019		43,250	24,553
	$	70,892	36,485

Expected contributions to be made to the defined benefit plan and the supplemental retirement plan during the fiscal year ending June 30, 2010 total $9,967,000. Expected contributions to be made toward supplemental healthcare benefits during the fiscal year ending June 30, 2010 total $1,559,000.

(e) Defined Benefit Plan Amendment

Employees hired on or after January 1, 2009 participate in a revised retirement program in which the Trust contributes 6% of the employee's base salary up to the Social Security Taxable Wage Base, and 10% of an employee's salary above this level. The trust employees hired prior to January 1, 2009 continue to participate in the existing defined benefit retirement plan.

(f) Employee Investment Plan

The Trust maintains a qualified 403(b) Employee Investment Plan, which permits eligible employees to make voluntary contributions on a pretax basis. This plan allows participants to invest in a variety of investments. This plan was enhanced in 1995 to include an employer match to employees contributing to the plan. The match is held in a 401(a) plan. The 401(a) plan provides for uniform employer contributions of one dollar for every dollar contributed by a participant up to 4% of the participant's compensation. The Trust contributed $2,268,000 and $2,304,000 to this plan in 2009 and 2008, respectively.

(11) Endowment

The Trust's endowment consists of 3 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by U.S. generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Endowment net asset composition by type of fund as of June 30, 2009 (amounts in thousands):

		Unrestricted	Temporarily restricted	Permanently restricted	Total
Donor-restricted endowments	$	—	—	560	560
Board-designated endowments		4,453,666	—	—	4,453,666
Total	$	4,453,666	—	560	4,454,226

Changes in endowment net assets for the fiscal year ended June 30, 2009 (amounts in thousands):

	Unrestricted	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of the year	$ 5,945,675	—	550	5,946,225
Investment return:				
Investment income	45,617	—	—	45,617
Net depreciation	(1,288,078)	—	—	(1,288,078)
Total investment return	(1,242,461)	—	—	(1,242,461)
Contributions	—	—	10	10
Appropriation of endowment assets for expenditure	(249,548)	—	—	(249,548)
Endowment net assets at June 30, 2009	$ 4,453,666	—	560	4,454,226

(a) Return Objectives and Risk Parameters

The Trust has adopted investment and prudent spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. This policy shall provide for safety of principal through diversification in a portfolio of common stocks, bonds, mutual funds, cash equivalents and other investments, including international equities and alternative investments, which may reflect varying rates of return. The overall rate of return objective for the portfolio (net of fees) is 8.5%, which is consistent with the risk levels established by the Board of Trustees. This is consistent with the Trust's objective to maintain purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment returns.

(b) Investment Strategy

Consistent with the investment and prudent spending policies stated above, the investment strategy is as follows:

1. Preservation of Capital: to seek to minimize the probability of loss of principal over the investment horizon of the portfolio relative to the market.

2. Long-Term Growth of Capital: to seek long-term growth of principal.

3. Preservation of Purchasing Power: to seek returns in excess of the rate of inflation over the long-term investment horizon of the portfolio relative to the market.

(Continued)

(c) Spending Policy

The Trust, with the approval of the Board of Trustees, currently appropriates for distribution (on a cash basis) each year 5% of its endowment fund's value determined either by (1) averaging the fair value over the prior 12 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned or (2) using the fair value of the endowment at calendar year-end preceding the fiscal year in which the distribution is planned. In establishing these appropriations, the Trust considers the long-term expected return on its endowment. Accordingly, over the long term, the Trust expects the current spending policy to allow its endowment to grow at an average of 3.5% annually. This is consistent with the Trust's objective to maintain the purchasing power of the endowment assets held in perpetuity.

(12) Lines of Credit

The Trust has two revolving unsecured lines of credit for $5,000,000 each with Bank of America. Both expire on June 1, 2010. The first line of credit facilitates the issuance of commercial and standby letters of credit with maximum maturities of 180 and 365 days, respectively. Amounts used for financing commercial and standby letters of credit may extend 180 and 365 days, respectively, beyond the line of credit’s expiration date. In addition, standby letters of credit may include a provision providing for automatic annual extensions of its maturity date. The second line of credit provides for cash advances. Both bear interest at the bank’s prime rate minus 1.00%. The Trust also has the option to elect LIBOR plus 0.50% during interest periods agreed to by the bank and the Trust. There were no amounts outstanding at June 30, 2009 or 2008 under these agreements.

In addition, in January 2003, the Trust entered into an irrevocable letter of credit agreement with a bank for $1,000,000, which increased to $2,000,000 in August 2005. The agreement designates the Los Angeles City Department of Transportation as the beneficiary related to required transportation improvements near the Getty Villa. The letter of credit is automatically renewed annually each January unless the bank notifies the Trust of its intent to not to renew the letter 30 days prior to its expiration.

(13) Commitments and Contingencies

Legal Matters

In the ordinary course of business, the Trust is subject to certain lawsuits and other potential legal actions. In the opinion of management, such matters will not have a material effect on the financial position of the Trust.

(14) Subsequent Events

Subsequent events have been evaluated through November 13, 2009, which is the date the financial statements were available to be issued.